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# ***JPRS Report***

## **East Europe**

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# East Europe

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## CONTENTS

6 April 1992

### ALBANIA

PD's Baleta Criticizes Neritan Ceka's 'Comeback' [ZERI I RINISE 11 Mar]	1
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### CZECHOSLOVAKIA

Klaus on Conservative Ideology, Slovak Issue [ZEMEDEL'SKE NOVINY 9 Mar]	2
HZOS Leader Explains Party's Position [REPORTER 4 Mar]	4
Slovak Social Democrat Questions Czech Motives [LITERARNY TYZDENNIK 29 Feb]	7
Current Sudeten German-Czech Relations Evaluated [RESPEKT 8 Mar]	8
History of Czech-German Relations Evaluated [PRITOMNOST No 1]	10
Writer Sees Unitarism as 'Czech Illusion' [PRITOMNOST No 1]	14
Trade Minister: EC Trade Barriers Falling [HOSPODARSKE NOVINY 10 Mar]	16
Komarek Critical of Economic Plan, Presents Own [HOSPODARSKE NOVINY 9 Mar]	17
Agreements on Prevention of Dual Taxation Examined [SVET HOSPODARSTVI 20 Feb]	20
Coupon Privatization Law Limitations Examined [EKONOM 5 Mar]	24
Legal Standing of Business Arbitration Discussed [EKONOM 5 Mar]	26
Coupon Redemption by Investment Funds Examined [HOSPODARSKE NOVINY 4 Mar]	28
GOLEM Organization Views Economic Transition [EKONOM 5 Mar]	29
Small Enterprise Privatization Discussed [HOSPODARSKE NOVINY 13 Feb]	31

### HUNGARY

Fur Responds to Interpellation on 'Extremism' [MAGYAR FORUM 20 Feb]	33
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### POLAND

Role of Catholics in Political Parties Discussed [WPROST 23 Feb]	36
Church's Argument in Favor of State Religion [PRZEGLAD KATOLICKI 23 Feb]	37
Senate Commission Evaluates Cooperation With FRG [RZECZPOSPOLITA 22-23 Feb]	38
Trade Restoration With Armenia Noted	39
Armenian Interests, Needs [RYNKI ZAGRANICZNE 22 Feb]	39
Details of Trade Agreement [RYNKI ZAGRANICZNE 25 Feb]	39
Swedish Executive on Business, Competition [RZECZPOSPOLITA 26 Feb]	40
Norwegian Firm To Distribute Oil Products [RYNKI ZAGRANICZNE 20 Feb]	41
GM-FSO Auto Production Negotiations [RZECZPOSPOLITA 29 Feb-1 Mar]	42
National Chamber of Commerce Promotion Efforts [RYNKI ZAGRANICZNE 22 Feb]	43
National Bank Clearinghouse Established [RZECZPOSPOLITA 24 Feb]	43
Report Encourages More Competition in 1992 [RZECZPOSPOLITA 26 Feb]	44
Jan 1992 Labor Market, Unemployment Figures [RZECZPOSPOLITA 29 Feb]	45

### ROMANIA

FSN Chief on Elections, Party Unity, Coalitions [TINERETUL LIBER 7, 10 Mar]	46
Brucan on Politics, FSN, UDMR 'Crises' [LIBERTATEA 10-11 Mar]	50
Legal Action Against Iliescu, Stanculescu Urged [ROMANIA LIBERA 5 Mar]	51
Isarescu Details Problems of Banking System [TINERETUL LIBER 13 Mar]	52

### YUGOSLAVIA

No Division of Assets While Yugoslavia Exists [BORBA 23 Mar]	54
Bosnia HDZ Leader Brkic Interviewed [BORBA 23 Mar]	55
Croatian Minister of Reconstruction on War Damages [BORBA 23 Mar]	56

**PD's Baleta Criticizes Neritan Ceka's 'Comeback'**

AU0404152192 Tirana ZERI I RINISE in Albanian  
11 Mar 92 pp 3-4

[Article by Abdi Baleta: "The Revival of the 'Ceka Phenomenon'—Why?"]

[Excerpts] When Mr. Neritan Ceka "amazed" Albania and "astonished" the world with his resignation from his party and parliamentary posts while in the president's office, he vowed that he would no longer meddle in politics but would retire to private life. It now emerges that he lied to the public. He has continued to involve himself in politics. In ZERI I RINISE of 4 March, he even informs us that he has decided to return to politics in the most violent way in a duel between "the Ceka phenomenon" and "the Baleta phenomenon." After his article in ZERI I RINISE, there followed the sensational news on television that Ceka had delivered in Gjirokaster an "open lecture" on archaeology, but with "topical relevance." Thus public meetings began to be organized for Ceka, because giving lectures up and down the country was not enough for the television. He was even given "honors" as if he were the chairman or deputy chairman of a party. It seems that the "New Democracy" about which there is so much whispering began its working life without a professional license from the Justice Ministry. It is no doubt Ceka's former "opponents" that have now become his friends today who will be most pleased by his comeback. However, his former opponents and present enemies will not be all that annoyed, because one more spoon dug into the political stewpot will hardly reduce us to hunger. The meteor in the Albanian political sky of 1991, whatever it may do, will never recover its former brilliance. With his disdain for Albanian political reality, the "hero of the Albanian intellectuals" will never make good his shame at stabbing the Democratic Party [PD] in the back at the most delicate moment. He will never sweeten the bitter stew called "the Baleta phenomenon" with sophistry, distortions, lies, and slander. [passage omitted]

Mr. Ceka tries in vain to justify his frenetic work to undermine democracy and the PD by keeping the National Stability Government on its feet. He was frankly told at the PD's National Council on 16

November 1991 that "Democracy in Albania cannot proceed smoothly with people like Ramiz Alia." However, Ceka persists in his own way. He tries to make more credible the thesis of the Labor (Socialist) Party that the PD was in power, and he was against leaving the government because "the situation would deteriorate if matters were left in the communists' hands." He even manages to say that "the Socialist Party lost power and we should not only have not restored it to them, but should have taken it entirely into our hands," although it is well known that the Stability Government was the worst government Albania had had in 50 years and was used by the Labor (Socialist) Party and the president in order to consolidate the economic and political power of the Red mafia, to destabilize the country, to deceive the people, and to strike against democracy. This is the service Mr. Ceka renders to the president and the Labor-Socialists, striking against the PD supposedly in order to oppose "the Baleta phenomenon." Mr. Ceka forgets that in the time of the Stability Government he said that the PD must take power through free elections.

He still tries to deceive people by saying that maintaining the Stability Government and the parliament of the time blocked the president's influence on political life. He thus openly shows that his purpose now is to keep in office President Alia, the communist dictator. This shows that he remains faithful to the gesture he made, against the PD's policy and interests, when he accompanied Mr. Alia to Helsinki and Paris, without the authorization of the party, in order to boost his prestige in Albania and the world and to deceive the public. It was not in vain that the president arranged for Albanian Television to show the plane bringing back from Paris after a successful mission a communist president, escorted not by Mr. Ismail Lleshi, chairman of the Socialist Party's parliamentary group, but by Neritan Ceka, "the president in waiting" and chairman of the opposition's parliamentary group. Sometimes people would tickle Ceka's pride by comparing him with Bush. Then Ceka insists that communism in Albania ended on 2 April 1991 and that he is now only frightened of "street dictatorship," as his friends Zogaj, Pashko, Keko, and Cupi also say. As we see, I did not invent "the Ceka phenomenon." I only hold the copyright on the name. [passage omitted]

### Klaus on Conservative Ideology, Slovak Issue

92CH0409A Prague ZEMEDELKE NOVINY  
in Czech 9 Mar 92 pp 1, 4

[Interview with Vaclav Klaus, chairman of the Civic Democratic Party, deputy prime minister of the Federal Government, and federal minister of finance, by Kateřina Sladkova and Petr Novacek; place and date not given: "Today, Conservatism Is a Revolutionary Position in Our Country"—first paragraph is ZEMEDELKE NOVINY introduction]

[Text] It is probably not necessary to introduce the Civic Democratic Party (ODS) too much. It was constituted last April after a "divorce" from the Civic Forum [OF]. Today, it has around 35,000 members organized in more than 1,000 local associations and represents the most express and also most ambitious rightist political grouping in Czechoslovakia. We asked its chairman, Vaclav Klaus, deputy prime minister of the Federal Government and minister of finance, for an interview.

[ZEMEDELKE NOVINY] You frequently stress that you are a conservative. Many people visualize that this designation describes a kind of antimodernism, a looking back to the past. However, neither you nor your vigorous party reflect this image. What actually constitutes your conservatism?

[Klaus] It is an ideology and a political position which pays immense respect to traditional values which have been vetted by thousands of years of human civilization. We respect the fact—symbolically speaking—that we are standing on the shoulders of a giant and that we can only add very little to that which this giant has achieved. We lack the arrogance of modern intellectualism which believes that traditional values can be recklessly augmented by the addition of new designs. Of course, while in a stabilized society conservatives are satisfied, more or less, with maintaining the status quo, under our "revolutionary" conditions conservatism is a radical, why even a revolutionary position because it must actually reintroduce those traditional values from scratch.

[ZEMEDELKE NOVINY] You assert them sometimes, and along with them you also assert your people so emphatically that the ODS is sometimes perceived as being an "elevator to power."

[Klaus] This comparison always surprises me again. For example, in the 16-member Federal Government, I am the only one representing the ODS and when it comes to voting I look around for allies in trepidation. If I am opposed by a united line of seven ministers from the Civic Movement [OH], I very frequently get the feeling of being absolutely powerless.

Until recently, the situation was not quite so acute; it changed after the beginning of the year. However, it is difficult to attribute this to me when I often face overwhelming superior forces 15:1. For that reason, the former loyal and friendly atmosphere suited me much

better than is the case now when virtually all discussed matters are being politicized. If I add to this the losses of federal responsibilities in favor of the republics, I have the growing feeling that neither myself nor the ODS is able to assert anything effectively and rapidly, let alone that we have "power."

[ZEMEDELKE NOVINY] You and your seven colleague ministers from the OH came from the OF, the election program of which essentially became the foundation for the program declaration of the current Federal Government. The OH is saying that its political line in the government and in the parliaments is being exclusively followed actually only by the OH itself. This could lead to a pre-election confrontation. How does the ODS respond to this?

[Klaus] Any speculation regarding the question whether our party or the OH is coming closer to the original OF election program is expedient and I reject it. The question must not be put that way. It would be in violation of the letter of the agreement adopted by the separation congress of the OF in February 1991, according to which none of the successors to the OF has the right to appropriate its heritage.

[ZEMEDELKE NOVINY] Heritage or no heritage, the ODS seems to be a clear favorite on the Czech political scene. However, the vision of an election victory and the subsequent sharing of power also draws many careerists into your party who are looking only toward their own success. Are you not afraid of that?

[Klaus] Every political party which enjoys a certain amount of popularity and perhaps has a chance to succeed in the elections attracts such people. Nothing can be done about that, it is quite natural. A particularly woeful example in this regard was precisely the OF which, as a result of its unbounded nature and absolute lack of organization, lost any kind of mechanism which it could use to clip the wings of any "self-appointed" politicians. The ODS is actually bending every effort to see to it that nothing similar happens to it. Therefore, in selecting our election candidates, we are proceeding consistently from below—from local groupings through okres councils to the level of election districts, all the way to the Executive Council of the ODS. I do not claim that this filter will be 100-percent effective, but it should, in any event, rid us of any gross impurities.

[ZEMEDELKE NOVINY] Let us return to your election chances. They would undoubtedly be greater if the original intention of the ODS to unite the entire Czech right, to the extent possible, had succeeded. The ODA [Civic Democratic Alliance] was the first to escape your embrace; it not only failed to amalgamate with the ODS, but is not even with you in the coalition today. And programwise you are very close. Who or what stands between you?

[Klaus] The Civic Democratic Alliance was originally a collective member of the OF. The fact that it decided to function as an independent political entity following the

breakup of the Civic Forum is last year's greatest disappointment for me. I consider it to be a great loss that members of the ODA, as I had counted on them to do, did not join the ODS, where I would like to see many of them in leading positions. A difference of opinion does not stand between us—but rather personal ambitions. Nevertheless, I would find one specific difference. The ODS is expressly more democratic as a result of the fact that it is established consistently from below. The opposite is true of the ODA. It is more like some kind of elitist club where everyone knows each other and likes each other. The ODA represents several personalities; it seems that there are just enough members to fill a list of candidates and the rank-and-file foot soldiers are virtually missing.

[ZEMEDELSE NOVINY] But the ODA does not conceal the fact at all that it is a so-called election party and, thus, does not need a mass membership base. If, however, it is nevertheless represented by only a few vocal names, then the ODS is represented only by a single personality—yourself. To many, it seems as though the ODS = V. Klaus and V. Klaus = the ODS. What do you say to that?

[Klaus] That is a good question. However, let us separate the personification of a political party by a single person or by several persons (but do not underestimate the other personalities of the ODS—Cermak, Macek, Kovar, Strasky, Dyba, Kocarnik, Havlik...!) from the mechanism involved in creating a political party. These are two quite separate matters. If my position vis-a-vis the other representatives of the ODS is perceived by citizens to be more clear-cut than is the case regarding the mutual relationships of Messrs. Bratinka, Kroupa, Dlouhy, and Kalvoda at the head of the ODA, where it is not so clear as to who is giving the alliance its main tone, that is one thing. And something altogether different is a cross section through the party structure. In a 300-400-member party, one can, of course, arrive at a united viewpoint with relative ease. Given our widely branched membership base, this is, understandably, more complicated. Nevertheless, in my judgment, a political party cannot function at full value without this kind of hinterland.

[ZEMEDELSE NOVINY] But, Mr. Chairman, the ODA insists that there are even some significant differences of opinion in the ODS. According to the ODA, the ODS perceives the transformation of our society more or less only in economic terms. The ODA perceives it more broadly. It considers its legal, moral, cultural, and social aspects to be of equal importance.

[Klaus] I consider this to be a classic example of tasteless criticism of the ODS. The fact that thanks to my profession and my current office I dwell primarily on economic matters does not mean disregarding the other dimensions of our society. This is clearly discernible in my writings as well as from the problem spectrum which I am examining with the citizenry at our meetings. The

ODS has also established a foundation which has charitable, cultural, and similar generally humanitarian goals. Even our election program will clearly show that to characterize us as some kind of narrow-breasted economists is evil misrepresentation.

[ZEMEDELSE NOVINY] May we add one more slander? By becoming active in Slovakia, it is said that you are helping to accelerate the death of at least the ODU-VPN [Civic Democratic Union—Public Against Violence] coalition.

[Klaus] We hesitated a long time before stepping into Slovakia and I admit that it is a little risky. In our opinion, the fact that we shall be dispatching inflammatory proclamations from Prague and after all those concessions and dreams of duplex living will start banging our fist on the table is not the way out of the cul-de-sac of constitutional disputes. It is time to do something positive and this is precisely why we are attempting to enter the election campaign in Slovakia. I emphasize that this is not some kind of "exporting of the revolution." Over a number of months, clubs of friends of the ODS came into being in Slovakia and only when they began representing a certain strength did we make sponsorship available to them from Prague and only after that did the ODS also register in Slovakia. We have no ambition to succeed in the elections there on our own. We expect to add our votes to a coalition which will unite those parties whose programs are close to ours and who espouse the preservation of a common state. This means that the ODS has no intention of wooing voters away from the Democratic Party, nor from the ODU-VPN coalition. The Slovak voter will simply be able to make a better selection in the right portion of the political spectrum. And as far as the VPN is concerned, or, as it is now calling itself, the ODU-VPN, we believe that it has lost a substantial portion of its followers particularly as a result of not having found the courage to clarify its viewpoints quickly and clearly. In this respect, it "accelerated its death" a little bit by itself and it is up to it as to how it will come to terms with this situation rapidly.

[ZEMEDELSE NOVINY] Although you do not like it, we will put a speculative question to you: Let us assume that the left wins the elections in Slovakia and the right in the Czech Republic. If the necessity of creating a federal right-left government coalition were to come about, on what conditions would the ODS insist in such a case?

[Klaus] There are several, but there are two fundamental ones. First, I repeat for our Slovak friends that the ODS is not interested in confederation in any case. This is fundamentally unacceptable for us. Second, we require a pledge by the Slovak party to continue with the radical economic reform. This is, naturally, a process which is more rapid at one place and slower elsewhere and individual steps will therefore be agreed upon even after the elections. But a common will to realize the reform with vigor and efficiency must exist.

[ZEMEDEL'SKE NOVINY] Let us return to the present. How, Mr. Chairman, do you view the initiative of Messrs. Tigrid, Kocab, Lansky, Battek, and others aimed at establishing a new—"presidential"—political party?

[Klaus] Over the past two years, we have, with more or less success, managed to bring the fundamental political spectrum into the fragile balance which exists today. The available room is filled with political parties, if not actually overfilled. The effort to misuse the presidential authority to accomplish a violent regrouping shortly prior to the elections, particularly if it is inspired by the simple idea of Czechoslovak unity and civic solidarity without specific economic, human, social, and other program goals, is, in my opinion, a serious mistake. If it does come about, I hope that the voters will evaluate it correctly.

[ZEMEDEL'SKE NOVINY] At the very least, one-fourth of the potential voters has still not made up their minds whether they will vote at all, and if so, for whom. Without a doubt, the ODS will also target this group. In this effort, will your alliance with the KAN [Club of Nonaligned Activists], whose demands for the decomunization of society impress many citizens, be of assistance to you? Or would you perhaps rather serve them something more "dietary"?

[Klaus] We shall offer them our program and our honest work. As far as the KAN is concerned, we are in agreement with them regarding the opinion that it is necessary to come to grips with the communist past. That is also why the ODS fought so hard for the "lustration law" at the time it was adopted. But we must primarily look to the future. I would like to express this by making the following comparison: In today's traffic on the highway, a driver cannot get by without a rear-view mirror which is, however, immeasurably smaller than a windshield. The ODS does take the past into account in that rearview mirror, but concentrates primarily on the road before it. With regard to the KAN, these proportions are different, its rearview mirror is expressly larger. Nevertheless, we are not too far apart and that is why we are negotiating an election alliance. I believe that the representatives of the KAN will find their place on the election list of the ODS.

### **HZOS Leader Explains Party's Position**

92CH0405A Prague REPORTER in Czech  
4 Mar 92 pp 5-6, 10

[Interview with Frantisek Kollar, chairman of the Movement for the Liberation of Slovakia, by Milan Hladky; place and date not given: "The Slovak Ultras"]

[Text] At the end of 1991, there were more than 80 political parties registered in Slovakia. Only a few of them, however, came on the scene with such a hubbub as when the posters of the Movement for the Liberation of Slovakia showed up. As early as November 1989, at a time of general euphoria from the velvet revolution, the party activists were handing out leaflets on the Austrian

side of our border crossings calling for the declaration of an independent Slovak state. In January 1990 they were already pasting up posters saying "Away with the CSR [Czechoslovak Republic]" and "Slovakia for the Slovaks" right in the streets of Bratislava. For many people this was shock and an unmistakable sign that the fall of the totalitarian regime did not end all our problems. On the contrary, new problems were coming up about which the majority of us had no suspicion.

The Movement for the Liberation of Slovakia got started in 1974 in Germany and its operations gradually expanded to Canada, the United States, Australia, and West Europe. It publishes the magazine SLOVAK NEWS in German and Slovak editions. The goal of its program is the same as the one with which it showed up in Slovakia in 1990: liberating Slovakia from communism and Czech hegemony. The minister of interior of the Slovak Republic at that time, Vladimir Meciar, in the spring of 1990 did not allow them to register. The movement was therefore officially registered after the elections of 10 August 1990. According to the statement of the movement's secretary, Dr. Peter Blasko, it today has more than 50,000 members in Slovakia and another 2,000 members living abroad.

When I prepared this interview with the chairman of the Movement for the Liberation of Slovakia (HZOS), Frantisek Kollar, a number of my Slovak fellow citizens took exception to it. However, anyone who wants to know the entire range of opinions currently held must of necessity look where they are being spread. You would be hard pressed to find a political entity in Slovakia that represents a more striking and uncompromising nationalistic orientation in the field. They express themselves unambiguously and I am convinced that every voter today knows what could be expected from them if they should win an election victory. I will ascribe good motives to this movement—I myself am for a joint state—and leave the following interview to speak for itself. Perhaps I should just add that in preparing this interview the HZOS leadership promised me that after a Slovak state comes into being they will let me live in Bratislava.

Interview with the chairman of the Movement for the Liberation of Slovakia, Frantisek Kollar.

[Hladky] The liberation of Slovakia is your basic goal and you have this in the title of your movement. What kind of liberation do you have in mind?

[Kollar] Our goal is clear and we have announced it from the very beginning—the liberation of Slovakia from communism and the Czech oppression and Czech hegemony. This is possible only by winning full sovereignty for the Slovak people and establishing an independent Slovak state.

[Hladky] During two years of operating in Slovakia, your movement has acquired the reputation of being the greatest radicals among the nationalistic oriented movements and parties. In your opinion, what distinguishes you from the others?

[Kollar] We do not consider ourselves as radicals. It is rather a case of having to emphasize that we are the only ones who are uncompromisingly pursuing our goal. Our movement makes no tactical compromises and do not resort to evasions in its program. We were the first, and for a certain period the only, ones who had openly and unambiguously put the establishment of an independent Slovak state in our program. With the passage of time, others took up our goal as well, but it was a mistake for them to begin to create their own parties and movements instead of joining up with us. As far as, for example, the Slovak National Party (SNS) is concerned, they do not have a clear-cut program and do not even keep to what they have in the party statutes, which they did not register. Today they say one thing and tomorrow something else. The chairman of the SNS, Prokes, today will say something about an independent Slovakia and tomorrow, if it pleases him, he will be for a joint state. One cannot believe such parties and we therefore cannot even join together with them.

[Hladky] Today even the Movement For a Democratic Slovakia [HZDS] is talking about the sovereignty of Slovakia....

[Kollar] The concepts of sovereignty, a sovereign nature, federation, and confederation have been so intertwined by all the parties, including the SNS and the HZDS, that the common man now really does not have any idea what they mean. We therefore do not use them at all, but just speak exclusively of an independent Slovak state. Sometimes people set things up so that a sovereign nature does not mean a sovereign state. Prokes, for example, said that the declaration of a sovereign nature does not mean the declaration of an independent Slovak state. This is just a contradiction within itself! Meciar sometimes says something that the people expect to hear so as to gain the support of Slovak nationalists, something against the federal state, against Czech politicians. But Meciar is not a nationalist; in my opinion, he is only a career seeker. He is not concerned with the independence of Slovakia, but only with his own position and he wants to get the voters' support. The main danger consists of the fact that many Slovaks do not know what Meciar is actually after. He talks one way one time and another way somewhere else, but he has never come out for the independence of Slovakia.

[Hladky] One could say that in the upcoming preelection fight Meciar's HZDS is a greater opponent for you than the clearly profederal ODU-VPN [Civic Democratic Union-Public Against Violence]....

[Kollar] You are entirely right about that. We, and Slovaks in general, know what goals the VPN has and what it is after. It is also more or less clear where the KDH [Christian Democratic Movement] is headed. But nobody really knows what the HZDS is after. In his maneuvering Meciar confuses people. There is a danger that he will succeed in also misleading part of our voters and drawing them over to his own party. His popularity

is already declining, however, and that is why the HZDS is in favor of elections ahead of schedule.

[Hladky] The KDH's attitude is more acceptable to you?

[Kollar] The KDH today is not pursuing the will of the Slovak people and that is obviously also the reason why it is losing popularity. If it would stick to the line of the independence of Slovakia, then it would gain more voters. We hope that they will do this. We are not among those who want to dominate things. If Carnogursky declares a Slovak state for us, I will thank him for it, but now their position is essentially for a joint state. We therefore do not work together with them and cannot accept them.

[Hladky] Do you think that the communists could still take power in Slovakia?

[Kollar] There are still communist forces in Slovakia. The Democratic Leftist Party (SDL) could get a higher percentage of the votes in this election than in the last, so that is obviously a threat. All the more so, since many people today remember the period before 1989 when they could afford to buy more things and there was no unemployment. Of course, the danger that today they could get a majority in parliament and thus take power does not really exist. The people have had their experience with communism and even if they have things worse from an economic sense, they feel freer, can travel.... It could happen, however, that the Slovak leftists join up with Meciar. We are keeping an eye on elements of similar persuasion. After all, he was a communist and has had political education in Moscow. A new leftist coalition could thus come into being in Slovakia. But if Meciar's HZDS in coalition with the SDL should win the election, the Slovak nation would lose because we would still stay in Czech-Slovakia.

[Hladky] If your Movement For the Liberation of Slovakia should win the election, what is the first thing that you would do?

[Kollar] If we should get a mandate of over 50 percent of the seats in the Slovak parliament—and today it is called the SNR [Slovak National Council], but that will have to be changed as that is an impossible name—then the HZOS at the first session of parliament in Bratislava would declare an independent Slovak state. If we did not achieve a majority of over one-half of the deputies' seats, we would try to form a coalition with other parties and movements of similar thinking, so that we could jointly declare a Slovak state. This would probably take longer, perhaps a week or two. I am 90 to 95 percent convinced that the parties which are for a Slovak state will win in the elections. An appeal would then have to be broadcast on television for committees of our Movement For the Liberation of Slovakia to take power into their hands in all the towns and villages. After declaring a Slovak state, one of the first things that would have to be done would be to take measures to secure the borders, both with the Czechs and with the Hungarians. It will be very important that we get recognition from a number of countries immediately in the

first few days after declaring the SS [Independent Slovakia]. It is important that they be neighboring countries and some larger country, perhaps Germany. I consider it another important step for the Czechs who are employed here as state officials to leave Slovakia. Of course, this does not apply if they are living in a mixed marriage. So that they do not break up the state right at the start as was done already in 1939. And when the uprising came in 1944, the Czechs were the first to rise up against the Slovak state. A repetition of this cannot be allowed. After stabilizing the situation and getting diplomatic recognition, we would get into economic measures so that we can achieve a higher economic level.

[Hladky] What kind of economic measures do you envision? The economic questions are not worked out in the election platform of the HZOS....

[Kollar] We have concrete ideas about the economic program as well, but now we do not yet want to talk about the individual steps that we would take. It could easily happen that Meciar's bunch, the KDH, or some other party would again take over our ideas and put them forth as their own.

[Hladky] At meetings of your members and followers, the name of Jozef Tiso is often recalled. What is your attitude toward him as president of the Slovak Republic in the years 1939-45? Will the HZOS work for his rehabilitation and the clearing of his reputation?

[Kollar] We do not concern ourselves very much with historical matters. A look at our movement's newspaper SLOVAK NEWS can confirm this for you. It will be a matter for the historians to evaluate how all this was. I think that we can be glad that Tiso took upon himself the role that he played at that time. The Slovak state existed and I have already repeated many time that, even though he was as he was, he was one of us, a Slovak. The fact is that everyone who is active in politics makes certain mistakes and Tiso made them as well.

As far as the political system is concerned, the big mistake was that the Slovak National Party joined up with Hlinka's Slovak People's Party. Razus's Slovak National Party could have remained in opposition in order to control the government's operations and we would have thus shown the world that pluralism and democracy were maintained. Right up to today the critics of the Slovak state point out that it at that time established a one-party government and therefore the state was not a democratic one. We could have avoided this. Of course, these are all matters of the past about which we can now do nothing. We must, however, recognize and respect Josef Tiso as a statesman. After all, without him the Slovak State would have ceased to exist after the uprising broke out in August of 1944! Many Slovak politicians and officers already saw at that time where events were taking us, that Germany could not win the war, and that the situation in Europe was changing. But Tiso held the Slovak state together from

the uprising through the end of the war. We owe him our thanks for this. It would personally please me if he were proclaimed a saint.

[Hladky] At the January meeting of the HZOS in Bratislava, you said that you received a summons from the police. Does this mean, perhaps, that you have problems with the police or the public prosecutor in connection with the political activities of your movement?

[Kollar] It is a matter of so-called activities against the Czecho-Slovak Republic, the provisions on breaking up the republic, burning the Czechoslovak flag, and such. Obviously the public prosecutor has received some suggestions which are being looked into. However, I have the impression that maybe they do not now want to get themselves into this and possibly they have thought it over. Further investigations have been put off until later, for when I do not know.

[Hladky] In the press you have been accused many times of breaking up the meetings organized in support of the joint state....

[Kollar] That is disinformation because we do not break up any meetings which other Slovak parties and movements hold. It is another matter when someone organizes a meeting for Czecho-Slovakia, such as, for example, Mr. Sladek from Prague. In such a case, our people place themselves where they can express their opinions, show just who it is, and prevent them from having any success because some people allow themselves to be misled by such types as Sladek. Even though everyone should already know that he is even worse than Havel. Sladek is something like Benes.

It is possible that they are keeping him for a situation where Havel has to step down. He is a great enemy of our movement because he is radically in favor of Czecho-Slovakia. His program includes, for example, regaining Subcarpathian Ruthenia. But in that case Slovakia would of necessity also have to belong to that state unit since it, after all, lies between the Czech lands and Ukraine! I am amazed that you can still find people who go to his meetings. He speaks against the Slovaks and the Slovaks listen to him. And do not protest! No Slovak who is able to consider matters can be for Czecho-Slovakia. It is not necessary to return to the first Czech republic; it is enough to look at the period since the end of the war.

Who brought communism to Slovakia? Indeed, in February 1948 nothing procommunist took place in Slovakia; everything was exclusively a matter of Prague. Benes made a pact with Stalin; in and of itself it was clearly cooperation with the communist superpower. The Kosice agreement of 1945 was not kept on the part of the Czechs. Instead of an equal legal position of the Czech lands and Slovakia, they implemented Prague centralism and the 1968 constitution ended up the same way. Show me a Slovak who still can believe in any agreement with the Czechs. It is therefore the duty of our movement to reveal Czechoslovakism and to work against everyone



who pushes for the Czecho-Slovak state. We want Slovakia to be independent so that the Slovaks will rule in Slovakia themselves.

### **Slovak Social Democrat Questions Czech Motives**

92CH0406A Bratislava LITERARNY TYZDENNIK  
in Slovak 29 Feb 92 pp 1, 13

[Article by Boris Zala, chairman of the Slovak Social Democratic Party: "Czech Responsibility for Balancing Out Czech-Slovak Accounts"]

[Text] Preparation of the SR [Slovak Republic] Constitution and the state treaty between the two republics of the federation naturally creates tension on both sides. But on the part of the Slovaks there is one question, and not a negligible one, that appears to be answered clearly: Both the constitution and the treaty start with the fact of the original sovereignty of the SR and everything else is derived from that. When we achieve some kind of joint state unit through the treaty, it will be entirely clear that this state unit is derived from the will of both nations and their states and that the joint state does not have and cannot have any authority which has not been assigned to it by the treaty.

This is no small matter. Stated without any reservations, it is the end of Czechoslovak statehood as an original value which acted as a point of departure to which all parts of the unified state had to subordinate themselves. It is the culmination of Slovak (and also Czech) statehood and from this standpoint it does not matter whether it is within a federation, a confederation, or outside joint statehood. The legal sovereignty of Slovakia is completed through the constitution and the treaty; making decisions about the form of the state or about possible partners for coexistence will from that time on be a matter only for the citizens of the SR and their political representatives.

However, it is just in this situation that the attitude of the citizens and the politicians of the CR [Czech Republic] is decisive for the fate of coexistence; how will they deal with this fact and how will they support this fact, which from our viewpoint is simple and obvious? It depends on an understanding and recognition of the obvious nature of the Slovak's right to self-determination as to whether or not our further coexistence will lead to the necessary unified economic area and market and to trends toward integration, in which we have a lead even over the EC. Preserving the advantages of a unified economic area, closeness of language, and cultural intermingling, etc. makes it easier for us to be included in the modern trends of European civilization. The national movement in Slovakia does not oppose this, but is also a natural process. We consider it to be a strategic mistake that just this enormous potential and this liberating energy began to fall immediately and dishonestly under the labels of nationalism, primitivism, etc. (in this regard, LIDOVE NOVINY can put down to their own account one of the largest shares in making the

relations between the republics worse and to the creation of an anti-Slovak mood). Some kind of abstract, national, and territorial alienation of the populace started to become a higher civilizing value. This is a deeply erroneous interpretation. A national movement, if it takes place within the framework of the basic civil rights and freedoms, contains an enormous democratic impact.

(It is no accident that the national emancipation and civil rights are the fruit of a certain historical period and that they are the precursors of the beginning of a new age.) It is just this dimension of the national movement that must be grasped, cultivated, and directed in its energy toward the creation of a modern civic form. We cannot unilaterally set ourselves up against it and leave the attempts at and the desire for emancipation at the mercy of reactionary, backward-looking, and dogmatic ideologues who build on the other, dark side of the national consciousness. There has to be a careful distinction of this difference (and we have tried to do this on the grounds of social democracy). We also welcome other forces which see the resolution of national emancipation from the aspect of a modern, democratic Slovakia which is prepared by stable and realistic politics to enter into the European attempts at integration. A democratic state based on law, led by realistic political forces, is clearly a barrier to nationalist, romantic-reactionary, and isolationist forces which are always striving to misuse the national emancipation process for reactionary purposes.

Even on the part of the Czechs, the achievement of Slovak statehood has been and is constantly connected with the threat of an attack by undemocratic forces. As if only nondemocrats (in the Czech terminology: fascists, national socialists, communists, populists...) had worked for Slovakia's statehood and all democrats were admirers of Prague and the form of Czechoslovak unit that we have had so far. With this kind of looking for "enemies" on the Slovak side, it was somehow forgotten that it was among the Czechs that here has to date not taken place any detailed discussion and uncovering of the undemocratic elements in the Czech political leadership and public life. (Two courageous men, Havel and Pithart, tried to do this, but they have remained visibly isolated.) Revealing the various nationalistic, chauvinistic, imperial, mythic, or otherwise ideologically disguised strata of the leadership is a task which the Czech society as a whole still has before it. To reveal behind which words and sentences, behind which style of speaking, behind which arguments, themes, and motives these undemocratic elements are hiding is a task which the Czech intelligentsia as a whole, but also the general population, finds before them. It is just this relationship to the Slovak attempts at emancipation which is one of the mirrors which reflects the degree of Czech democracy; not somewhere concerning an abstract democratic statement, but right at the point where it directly affects the Czech power interests and the Czech sensibilities as well. Slovakia can help the Czech society to uncover (and even to get rid of) distorted ideas, thoughts, or feelings

which arise from other than democratic motives and interests. Indeed, Slovakia can show, as it is already showing its Czech friends, where they are deceiving themselves and where and under what labels they are hiding motivations which are far from democratic.

The task of the Slovak democratic forces today is a dual one, to bear a double burden on their shoulders or, if we want to be more symbolic two crosses actually: on the one hand, an uncompromising struggle against all nationalistic or national-romantic attempts which could draw Slovakia imperceptibly into the swamp of intolerance, prejudice, aggression, undemocratic actions, and anti-Semitism toward a complex of insults, injuries, grievous weakness, or world-weariness...; and on the other hand, they are trying to complete the national emancipation process by the formation of Slovak statehood so that we do not lose the common ground for coexisting with the Czech nation, a ground that provides us the advantage of linguistic proximity, a historical common suitability, and economic compatibility, but also comes from having the same goals for the next decade.

The meaning behind our joint state cannot be derived from the fact of its bare existence or from nostalgia for the first Republic, or, God forbid, from pure legal appeals to the continuity of statehood. These are pillars which will not prop us up together. Maintaining the unity of the state through centralized power has become an anachronism. Today this state cannot be maintained through the will of a unified center, but only through the will of the many entities which operate within it. Today the national entities are coming forward, but tomorrow it can be regional, civic, or urbanized groups, and the day after tomorrow macroregional, European, or world entities. This requires us to also look for forms of cooperation and institutionalized support which will respect the uniqueness, self-determination, and particular will of these entities, along with a concurrent dialogue searching for common interests. This is what will hold them together, not a standardizing pressure from above. In this manner we can enter into the realm of modern democratic principles based on the creation of political free will from below, dialogue, and consensus; such political will would be an expression of the capability of rationally forming common interests.

Unity even more cannot be allowed to consist of suppressing interests, but rather of the ability to find a common interest while preserving the full diversity. Such a step requires the courage to break loose from the worn-out schemes and enter into the building of new ones. Even the meaning of the state must be constructed anew; the idea of a unified state (in the sense of unitarianism and uniformity) has run its course and we have before us the opportunity and the idea of a joint state. Its meaning must be a natural expression of the democratic desires of the Slovaks and Czechs and a barrier for extreme nationalism, whether Slovak or Hungarian, a barrier for Czech chauvinism and imperialism. Besides

the practical advantages, it is the sole new idea of a state on which our joint state can firmly stand.

So we have thus not lost our capability to integrate; that has already been permanently formed so that to integrate means to create the same conditions for everyone and not to use power to stamp out the specific differences, the characteristics, the uniqueness of the culture, values, morals, or the nature of the state. To integrate means not only to enter into Europe, but also to join in creating Europe. However, this requires us also to open the eyes, the thoughts, and the feelings of all the Czech democratic forces; they must also understand that the natural process of self-determination must not lead to disintegration, but to a change in the state forms of coexistence; that this process is not a conspiracy of an "alliance of dark forces," but only the fulfillment of one of the basic civil rights, the right of a people to self-determination. A sign of their understanding of this process will be when the Czech political (and cultural) scene creates a movement which clearly and unambiguously supports the democratic and realistic effort for Slovak "equality." Such a movement could really create the basis for modern coexistence of the two nations through its democratic and realistic policies, but this is missing from the Czech scene and this is what pushes Slovakia justifiably toward a desire for independence. This is not out of national pride, but from a need for a guarantee against hegemony. Slovakia has in essence decided: either equal conditions for coexistence or an independent state.

The Czech society must decide whether it is capable of living in equality or whether we would rather each take care of our fates by ourselves. However, this still does not have to mean that it would be without mutual understanding and it need not be at all against each other.

#### **Current Sudeten German-Czech Relations Evaluated**

*92CH0407A Prague RESPEKT in Czech 8 Mar 92 p 8*

[Interview with Peter Becher, secretary of Adalbert Stifter Society in Munich, by Zbynek Petracek; place and date not given: "Word of Honor Is Not Enough"]

[Text] Dr. Peter Becher (born 1953) is an agent of the Adalbert Stifter Society (Adalbert Stifter Verein) founded 35 years ago in Munich. In contrast to the political Sudeten German Landsmannschaft, whose positions are widely commented upon in the Czechoslovak media, this notable institution remains practically unknown by our public. This, even though according to its articles it has as a goal "to bring together the creative forces of Germans from Bohemia, Moravia, and Silesia and to develop the German scientific and artistic tradition of the Sudeten lands in the field of pan-German and European culture."

Peter Becher is the son of Walter Becher, the spokesman for the Sudeten Germans in the years 1968-82, the predecessor of Franz Neubauer. His views will perhaps

help to substantiate the accuracy of the impression that the question of Czechoslovak-German settling of accounts is mainly a generational one.

[Petracek] The relationship of Sudeten Germans and Czechs is often characterized as a psychological problem, a question of a transformation of consciousness. You have been going to Czechoslovakia for six years now. On the basis of your own experience, can you see any transformation of consciousness?

[Becher] My first contacts in Czechoslovakia were set up for me by the exiled writers Ota Filip and Jiri Grusa and the translator Franz Peter Kuenzel. At the beginning we were very cautious and reserved on both sides because it was not clear what to say and how openly to speak. As soon as they heard my name, there was an association with my father, a manufacturer from Karlovy Vary, and the usual question was when I would be taking over his business. Of course, this was totally absurd, but through this joke we were able to move on to other subjects.

After November 1989 everything had suddenly changed. I came to Prague in January 1990 together with Ota Filip because we wanted to invite Vaculik to a lecture in Munich and at the same time to prepare an exhibition of German exile of 30 years. I was greatly affected by the atmosphere in Prague at that time. We soon made a number of cultural contacts with the PEN club, museums, historians, German experts, and such. Entirely different people began to come to us.

By contrast, things had changed much less in Germany. We obviously still found it very hard to explain in Prague that all the Sudeten German institutions, not just the Landsmannschaft, had a bad image back in Germany. But while your journalists began to come here immediately after the events of November and to distinguish precisely between the Landsmannschaft on the one hand and the Collegium Carolinum, Ackermannngemeinde, or Adalbert Stifter Verein on the other, in our country everything was thrown into the same bag. This is a problem which continues even today.

#### **Against Emotions of One's Own People**

[Petracek] Havel's apology to the Sudeten Germans is still today the subject of arguments and various interpretations. It is often said here that it was badly misunderstood on the part of the Germans. Moreover, the rejection of the principle of collective guilt supposedly acts as an invitation to press property claims.

[Becher] As far as the criticism on the part of the Czechs is concerned, we are very well aware of what political and moral courage Havel demonstrated; he went against the national and emotional experience of his own people. Abroad it was noted very positively and Havel, without regard to the fact of how the individual Sudeten Germans reacted, enormously strengthened his international reputation by this act. I could compare it with the courage which Masaryk showed when he stood up against the forgers of the Manuscript.

[Petracek] A great part of the public in Czechoslovakia understood it otherwise, however; Havel has apologized and by doing so has put our property actually up for grabs. In Germany there is likewise the common rationale that Havel has apologized and thus practically admitted to the theft of the property and compensation must therefore follow.

[Becher] Yes, many Sudeten Germans argue that if Havel said A, then he must say B; he must work to correct the situation. Problems always come up when the entire complex relationship of the Czechs and the Sudeten Germans is reduced to just a purely legal or moral question. The idea that a solution is possible only from those two viewpoints is a short-circuit in thinking. I, along with many others, consider a balancing of accounts between the Czechs and the Sudeten Germans as a psychological problem and it is just on this level that Havel was seen in his apology implicitly by many of the Sudeten Germans as well. For the first time in entire decades, a Czechoslovak state official, moreover a highly respected person with great authority, asked for their pardon. By this act he put their satisfaction on a moral level. This does not mean, however, that there will automatically follow either a legal resolution or a political return to the past. It should be considered in a modern way. It would please me if, for instance, there was no further discussion about Franz Neubauer's demand for a supplementary apology by Havel and we would get rid of the emotions. One cannot simply say that someone has expressed themselves badly and now must listen.

#### **Think in the European Context**

[Petracek] Rudolf Hilf's concept of the minimal consensus can serve as an example of a moderated Sudeten German position, that is, recognition of the moral claim of the Sudeten Germans for return and settling the property relations with both sides respecting the postwar reality. What are your views on such a solution?

[Becher] At the theoretical level this concept would work, but I question whether it could be put into practice. I still have the impression that to date no good concept has existed because all of them were slightly oriented toward the old world which is gone and will not be restored, even if the Sudeten Germans returned for a long stay. I think that there would not be many of them who would even move back. For example, Karlovy Vary will never ever be 99 percent German. That is just an illusion. And even if the Sudeten Germans did return, they would represent only an insignificant minority in the former Sudeten lands.

[Petracek] But here it is a matter of positions which are so far incompatible; on the part of the Czechoslovaks, it is today politically unacceptable for them to recognize the Sudeten Germans' moral claims and they themselves will definitely not renounce them. Do you see any possibility for reconciliation and actual guarantees in the case of an agreement on the part of Czechoslovakia?

[Becher] That is the sticking point of that concept. The prerequisite here would be an expression of good will, that is, practically on one's word of honor. Anyone can give his word, but one cannot seriously direct that it be kept. I think that it is necessary to create an entirely new concept in which we take into consideration the European context. That is the determining factor for our future, whether we want it to be or not, because it includes freedom of movement, settlement, and such. This means that if we truly want to be part of Europe, the question of a return will somehow or other be settled in this way.

Europe, however, has not been separated only politically, but also culturally. In the future we thus will have to learn again to perceive each other. In doing this, the Czechs and the Sudeten Germans are just the ones who could accomplish a lot because their coexistence has a long tradition and they know each other well. There is a question as to whether it is possible to set this up beforehand in the form of some kind of positive concept. Positive in the sense that it will be a task for both the Czechs and the Germans who like to acquit themselves. That applies only for our generation, however, and not for the older ones. Those who lived through all the bad times will no longer be in office at that time.

#### Sudeten Germans Were Not All Nazis

[Petracek] What obstacles to a mutual balancing of accounts do you see on the part of the Czechs? What can you say about Czech nationalism?

[Becher] One of the products of Czech nationalism is the identification of the Sudeten Germans with the Nazis. I understand that this has occurred on the basis of the bad experience of Munich with its slogan of "Home Into the Reich" and the occupation. This idea, however, blurs the entire spectrum of Sudeten Germans because even then there existed, for example, a very strong Sudeten German social democratic movement. It opposed fascism and deserves a lot of credit, but this is hardly ever taken into account. Such a narrow view has made a taboo in Czechoslovakia out of settling accounts with the expulsion; since all Sudeten Germans were actually Nazis, driving them out was justifiable. As soon as that idea is thrown out, it becomes clear that there were many Sudeten Germans who were wrongly driven out, for example, just those social democrats, but also German-speaking Jews. From the Sudeten German viewpoint, this narrowmindedness is the most negative aspect of Czech nationalism.

[Petracek] Do you suppose that this narrow viewpoint or the auctioning off of the former Sudeten German property is a greater obstacle to a mutual settling of accounts?

[Becher] They are both interconnected. The fact that restitution is limited to 1948 and that the Germans are excluded from it is one of the results of this negative image. Many Czechs obviously think that by opening the auction to foreigners there will be Nazis coming into the country. With a different image of the Sudeten Germans,

there would also be the possibility that their participation in the auction would not represent such a problem.

#### Waiting for a German Havel

[Petracek] A year ago you wrote that so far no Sudeten German politician had shown courage comparable to that of Vaclav Havel in connection with his apology. Has anything changed since then?

[Becher] Several Sudeten German politicians attacked me very sharply. They said that I want the spokesmen for the Sudeten Germans to apologize also and that it is impudence on my part. For me, it was not a matter of an apology by the spokesmen, but mainly for the Sudeten German politicians to be aware of what courage Havel showed within the framework of the Czech society. I also do not know of any Sudeten German representative who would in a comparable manner stand up against the emotions of his own society. There was not a single signal sent which would be noted here or in your country. No Sudeten German politician has entirely clearly expressed himself on the fact that so many Sudeten Germans got themselves involved with the Nazis and said, for example, in that sense we must apologize to many Czechs.

#### History of Czech-German Relations Evaluated

92CH0410A Prague PRITOMNOST in Czech  
No 1, 1992 pp 20-21

[Article by Milan Hauner, Woodrow Wilson Center: "Czech-German Taboos"—first paragraph is PRITOMNOST introduction]

[Text] Milan Hauner (1941) completed his study of history at the Philosophical Faculty of Charles University in Prague. In 1968, he functioned at universities in Oxford and in London; since 1980, he has been in the United States (Madison, Berkeley, Georgetown). He is primarily occupied with European and German history. As of September 1990, he has been the director of the East European Program at the Woodrow Wilson Center.

"It does not matter how large Germany is, the main thing is that it be democratic." When President Havel pronounced this sentence on 2 January 1990 in front of the Brandenburg Gate in Berlin on the occasion of his first state visit abroad, he broke a number of taboo stereotypes which had blocked Czech-German relations for entire centuries. The traditional instinct of Czech racial and national policy was to keep Germany divided and to prevent the unification of Germany. This geopolitical axiom is clear from the remarks of the chroniclers Kosmas and Dalimil and can be followed through to the foreign policy pursued by Masaryk and Benes. Can the Czechs today and other neighbors of Germany, can all of Europe afford a large and strong Germany? Do we already definitively believe in the durability of democratic structures in West Germany and in their successful transplantation to the eastern portion? Does this mean

that we need no longer fear German militarism, revanchism, expansionism, and Lord knows what other kind of ism? Does this mean that that wise principle of balance of forces in Europe, which was believed in by statesmen from Disraeli through Kissinger, is no longer valid today?

Vaclav Havel made yet another statement a little earlier, a statement that is perhaps even more radical in content. I have in mind his unequivocal condemnation of the postwar expatriation of Germans and the demand of the necessity, as Havel expressed himself in a letter to German President Richard von Weizsaecker on 5 November 1989, "of asking, by some method, for German forgiveness, just as the Germans have so many times and unequivocally asked various nations which they so heavily harmed during the Nazi era for forgiveness." Even here, Havel knowingly violated a cardinal taboo—by definitely distancing himself from the thesis of collective German guilt, which dominates Czech policy and Czech public opinion both at home and in exile.

The radicalness of Havel's action in the history of Czech-German relationships could, in this sense, be compared with the journey of Egyptian President Sadat to Jerusalem. Havel opened the Pandora's box entitled "the German question," irrespective of the fact that it would spill dark recollections of Munich, recollections of the horror of the occupation, memories of the brutal expatriation of the Germans; in brief, all events connected with the German danger (*furor teutonicus*) and which are reflected in the conviction that the Germans are historically guilty; a guiltiness which, for entire decades, worked to harden us in our belief that Germany must not be unified and that the Germans must remain divided so that we, Czechs, could breathe in freedom in an independent state.

With respect to President Benes, for example, it is possible to observe that the transfer of Germans represented the most important psychological compensation to him for the trauma of Munich. And Stalin did not miss the point. Benes, thus, became the culminator of one phase of the German problem in this country in his own way. In the decisive historical moment, he denied the humanitarian heritage of Czech history and began to assert the Czech version of the "final solution" of the German question in our country. Historian and publicist J.W. Bruegel, the German Social Democrat who was born in Moravia, captures the common dimension of this act: "It is a relatively small step from denying basic human rights to virtually one-fourth of the population to the confiscation of all rights of the entire population. When 'only' Carpatho-Ruthenia was involved, then Benes captured this principle quite well. He sent a telegram on 27 November 1944 from Moscow saying: 'As soon as we abandon the foundation of law... in any question, we shall embark upon an inclined plane in all questions.' Unfortunately, he failed to see, or did not wish to see, how he, thus, also pronounced the verdict concerning his policy of German expatriation."

The expatriation was conducted by a method against which Emanuel Radl had already warned in the 1920's in his *Valce Cechu s Nemci* [*The War Between the Czechs and Germans*]. Let us recall that Radl refused to share in the degeneration of Czech-German relationships into what he called a "racial war" of both nations which was reopened in his time by the voices of such popular Czech authors as Josef Holecek. The world war had confirmed, as Holecek was showing, that mutual Czech-German antagonism cannot end any other way except as a result of the destruction of one of the opponents. "That is the philosophy of the war between the Czechs and the Germans," notes Radl, and attempts, on the contrary, to present a "philosophy of peace between these two old neighbors and frequent friends." With Don Quixote-type courage, Radl embarked on criticizing Palacky and even Masaryk himself for their myth-forming distortion of history. He refused to accept the deeply rooted school lessons which alleged that the content of our history was nationalistic in nature. Radl asks almost in desperation whether there is no other way today except the destruction of one nationality at the expense of another? He could not even stop criticizing the state doctrine of Czechoslovakism, which excluded Germans and Hungarians from the category of state citizens; even here, unhappily, the racial principle is asserted—a principle based on the romantic Herderian definition of a nation as a linguistic community. Radl asked why the CSR [Czechoslovak Republic] could not have three state languages, like Switzerland?

How does Germany at the beginning of the nineties differ from the Second Reich of Bismarck and the third "Great Reich" of Hitler? Today's united Germany only occupies 66 percent of the territorial expanse of the Wilhelminian Empire; its population growth has been stagnating for a number of years now. Prussia no longer exists, nor does Prussian militarism; the German Armed Forces are controlled by NATO. The doctrine of exclusive nationalism has given way to the integrating idea of a European common market. Should we perhaps fear a new *Drang nach Osten* [urge to move eastward] in the guise of economic and financial expansion? The influx of foreign capital is welcome and economists say that German capital tends to be most knowledgeable regarding our needs. Should we fear a new German diaspora? In 1938, there were at least 8.6 million Germans (and if we add the German territories lost after 1945, their number would amount to 17.5 million), including three and a half million on the territory of the CSR. Today's German diaspora is reduced to about 2.8 million Germans, of whom around two million live scattered about the territory of the USSR and the remainder are in Romania's Transylvania and in Poland's Upper Silesia; the number of Germans on Czechoslovak territory is completely negligible today....

However, we are direct neighbors of Germany which will be the stage for stormy national synthesis at least through the end of the century, accompanied by significant social reverberation and possible population shifts with results

which, today, no one is able to predict. A new German identity will emerge and all neighbors of Germany will have to prepare for it. It is clear that this will exert an influence even upon our national identity. Just from this perspective alone, the current German question is no less important for the Czechs than is the Slovak question.

In what manner does our understanding of the German question differ from the experiences of other direct neighbors of Germany who, moreover, had or still have German minorities on their territory? Why do I contend that, in contrast to the Poles, the French, the Danes, etc., the Czech-German relationship was shaped for centuries by a unique method? I recognize three levels in it which mutually intersect each other and which do not exist together in the case of the other neighbors of Germany.

Primarily, it is that we have the hitherto longest common border with the Germans as our external neighbors. It does no harm to occasionally recall these seeming topographic trivialities. If we take the borders of 1938 as a landmark, then the Czech-German border measured 1,200 km; it was, thus, twice as long as the German-Polish border and three times as long as the Franco-German border. After World War II, Czechoslovakia was the only country which bordered on both of the German states and, if we add Austria, then it even bordered on three German states.

Second, Germans have been our internal neighbors from time immemorial until 1945. From the 13th century, when the most intensive German colonization was under way, their share gradually rose to one-third of the population with all accompanying political, economic, and primarily cultural influences. The establishment of towns, the mining of silver, international commerce, the quality improvement in agriculture... all of these were the fruits of the colonization policy of the Premysl dynasty. Towns were established in accordance with German laws of Nuremberg or Magdeburg; the patrician class was predominantly German until the time of the Hussites. In ecclesiastic policy, mainly as a result of German intervention, the Latin cult prevailed over the Byzantine which, of course, did not mean automatic Germanization, because the missionaries and monks were also learning Czech. Yes, the influence of the West was reaching us via the German filter. Geographically, nothing could be altered.

The core of the Czech kingdom, Bohemia and Moravia, retained their Czech character, which was further strengthened under the Hussites. However, if we take the secondary hereditary lands of the kingdom, such as they were established under the Luxemburgs, into the overall linguistic overview—that is to say, both Lusatias (ceded to Saxony in 1635) and rich Silesia (seized by Prussia in 1742), where German colonization was proceeding far more rapidly—then simple arithmetic will indicate that the majority of the population of the kingdom had to speak German as early as the 14th century.

It is noteworthy that, until the origin of an independent Czechoslovakia the Czech Germans did not consider themselves to be an independent German race and were not asserting their specific cultural and political individuality in the same manner as, for example, the neighboring Bavarians and Saxons did. The Czech Germans always considered themselves to be part and parcel of a broader universal German nationality. At first, as Austrian Germans until the decline of the Hapsburg Empire; only later did their cultural identity come into conflict with political reality, particularly when, in 1933, Hitler came to power in Germany. A political irridenta did not show up among the Czech Germans until 1918. However, a "cultural irridenta" was a completely natural manifestation among the Czech Germans: Let us recall the celebrated period from Kafka through Mahler.

Let us now approach the third dimension of Czech-German relationships, which cannot easily be fitted into a single concept. We shall call it the "universal connection."... The Czech state was connected in a far more intimate and permanent manner with the *Regnum Teutonicum* [German Reich] than any other neighbor of Germany. From the advent of Christianity in the 10th century, Bohemia became part of the Holy Roman Empire of the German people, both geopolitically and culturally, and, on the basis of this connection, entered the new *Orbis Europaeus Christianus*. For their campaigns into Italy and for their imperial and eastern policies, Roman emperors needed Czech help. Czech rulers, on the other hand, utilized both the benevolence and weaknesses of the emperors in support of their own territorial expansion. Their ranks as electors made it possible for them to participate in the election of German emperors and to intervene in the affairs of the realm; during the Luxemburg and Hapsburg dynasties, they even themselves achieved the rank of emperor.

It is precisely in this connection that Jan Patocka, in his essay entitled "What Are the Czechs?" asked himself a question regarding the magnitude or smallness of the Czech people and their history. In contrast to the Germans, for whom magnitude dropped into their laps, thanks to their central location in combination with the "idea of empire," the Czechs could become great provided they simultaneously became exponents of this idea of empire in the sense of ideological and territorial propagation—as long as they ceased being an object of history and became subjects of history. For example, the second most important Czech saint, St. Ethelbert, was endowed with these characteristics in a sovereign manner from the ecclesiastic standpoint. In his own country, as Slavnikovec, he was a political scribe—outside of its borders, he became the carrier of the idea of the Holy Empire. He was unable to remain as the bishop of Prague, but became the first archbishop in Poland's Gniezdno, not to mention that, through his students, he was spreading Christianity in Hungary and christened the future Hungarian king, Stephen the Great. Even the Czechs participated in the *Drang nach Osten* within the framework of the universal propagation of

Christianity—this was not the sole purview of German knights. A century and a half following Ethelbert's death, the Czech King Premysl Otakar II led a crusade against the Prussians. It was precisely here, in the eastern portion of Europe, which was anticipating another Tatar raid in dread, that it was necessary to protect the Holy Empire. It was here rather than in Palestine where *paries proximus nobis* [the wall closest to us] was to be found as Bishop Bruno of Olomouc wrote in 1273 to the pope—and no one was better suited to the task of savior of Christianity than the strong Czech king.

The sudden Tatar or Mongol invasion, which threatened Christian Europe from the northeast, where no natural barriers existed, was shortly followed by the Turkish danger from the southeast which virtually lasted until the beginning of the 18th century. The geopolitical necessity of creating a defensive wall in the east of Europe changed the offensive mission of the empire to a defensive one. The Czech state, which to a great extent played the role of such a vanguard under the last of the Premysls and Luxemburgs, lost this opportunity in favor of the nascent Hapsburg state constellation which, gradually and, last but not least, thanks to a fortuitous marriage policy, gained control over the Czech-Polish-Hungarian strategic triangle. The fact that this function of a defensive vanguard on the eastern borders of the empire, and thus of Christian Europe, was to be carried out by the Hapsburgs, who had their seat in Vienna, is due to pure historic happenstance. Under a different political constellation, this role could have been played by the Czechs or the Hungarians or the Polish-Lithuanian state. Thus, the Czechs lost the function of being a vanguard as of the 17th century and Czech history became provincial history, as Palacky so correctly depicted this geopolitical role of the Hapsburg constellation for the defense of Europe against the Ottoman Turks in his politically most penetrating work entitled *Idea statu rakouskeho* [*The Idea of the Austrian State*].

It is not possible, for purposes of our history, to present a definitive evaluation of this "universal connection" with the German world, based on the idea of empire. Circumstances will always influence interpretation. For example, in the Nazi era, the interpretation of the idea of empire became the domain of official racial propaganda, among others through the Goebbels organ DAS REICH. One of the important functions of the idea of empire was to serve as a depository for legends connecting Germans with Christian universalism. This certainly objectively hampered the growth of the modern German people all the way through to the French Revolution. But even after this shock and following the breakup of the Holy Roman Empire of the German people by the Napoleonic edict of 1806, the idea of empire continued in the metamorphosis of the Rhine Conference (1806-15), the German Confederation (1815-66), the North German Confederation (1866-71), the "Second Reich" (1871-1918), and, finally, the "Third Reich" (1933-45).... It is easy to trivialize the idea of empire as a mere illusion, but we

must not forget that every instance of realpolitik consciously makes use of even illusions, legends, and fictions in the fulfillment of its goals. Emperors of the Schtauf dynasty were driven by this illusion as far as Sicily and one Viennese painter of picture postcards was led by such an illusion all the way to the summit of the Caucasus and to the gates of Egypt's Alexandria half a century ago.

The slowed-down process of state formation in the sense of a modern nation state (*Staatsnation*), to a considerable extent caused by the myth-forming forces of the idea of empire, led to the overblown perception of Germans as a cultural entity (*Kulturnation*) living in an undemarcated space, *Volk ohne Raum* [a people without space]. The Germans then frequently formed a notion of themselves as a chosen people, the sole heirs of the universal aspirations of the Roman Empire and the Empire of Charles the Great. Because expansion to the west was unfeasible for geographic reasons and, in contrast, virtually unlimited opportunities were opening up toward the east (and the early successes of German colonization in eastern Europe, as well as the rising influence of Germans in the modernization of Russia virtually confirmed this for them), the idea of *Drang nach Osten* was born. Following the elimination of the Hapsburg intermezzo which, as Palacky correctly saw—protected the Czech national particularism against Prussian imperialism and the later Pan-Germanism, the connection of the old idea of empire with the policy of *Drang nach Osten* was accompanied almost exclusively by negative ideological derivations, primarily oriented toward war: The Berlin-Baghdad axis, "middle Europe," "large-area economy," culminating in Himmler's monstrous racist hybrid creation, the "Holy Teutonic Empire of the German People."

It is also necessary to keep this deviation in mind when contemplating the phenomenon of "middle Europe." Unfortunately, Milan Kundera, in his essay entitled "The Tragedy of Central Europe," ignored it and the anti-Russian tone made it into an example of almost grotesque one-sidedness. An example of the opposite extreme was Gorbacov's scheme of including "Russia" without the slightest geographic delimitation, tongue in cheek, into the "united European house" about which the creator of this concept did not want to tell us where his eastern border ends: On the Volga River? In the Urals? At the Pacific Ocean? At the Hindu Kush Mountain Range?

In what direction will Czech-German relationships be developing in the immediate future within the framework of the radical social changes in East Europe and in Germany itself? Of the three dimensions of our traditional relationships, the first remains unchanged for the time being. We eliminated the second following the mutual spilling of blood not quite half a century ago. We shall not be rid of the third as long as we deny the existence of a thousand years of our common history.



And even after those thousand years, and I would say precisely because of them, are we dependent, one on the other? We attempted to compete with each other, but it degenerated into mutual oppression. This was nicely expressed by the director of the Munich Collegia Carolina, the Litomerice native Ferdinand Seibt, on the occasion when the Prague Academy of Sciences awarded him the gold Palacky medal.... Despite all assurances to the contrary, West Europe and East Europe remain organized in national societies. This nationality breakdown of Europe accompanies us in a form which has remained virtually unchanged since the Middle Ages and which has survived all the great shocks of our century: the departure of the Hapsburgs from the scene, the advent and fall of Hitler, and, finally, even the breakup of the socialist world. Our Czech-German proximity ended in catastrophe and it is necessary to seek the roots of this mutual rivalry, of this unpropitious nationalistic struggle and bilateral irreconcilability which, in the final analysis, led to the mutual murdering of many thousands of people.... On the other hand, says historian Seibt, it is a given of the international character of science that we are all citizens of the world, that we belong to a universitas scholarium. How are we to overcome this ambivalence? A historian cannot seek the roots of our catastrophe in any other way except in "its own makeup, in the national image of both Czech and German history."

And how does the historian know that he has found the correct answer? He will never find a single truth; there are many such truths. And Seibt adds that we are not seeking an answer only for the sake of truth. We are seeking the truth because of hope, because of people of goodwill: Even this search can, in and of itself, contain the germ of reconciliation between both of our nations.

**Writer Sees Unitarism as 'Czech Illusion'**  
92CH0412A Prague PRITOMNOST in Czech  
No 1, 1992 pp 6-7

[Article by Jan Rychlik: "Unitary State: A Czech Illusion"]

[Text] We all prefer simple solutions, which for an average Czech citizen include also the so-called unitary state. That vision, often fostered by shallow journalism, appears as follows: After 1918 Czechoslovakia was a unitary state with one parliament, one government, and one constitution. It was a time when peace, order, and contentment prevailed everywhere. Then came the constantly dissatisfied Slovaks and the evil communists who imposed on us the federation which nobody wanted. Not so long ago (on 30 November 1991) Pavel Cernocky, a commentator of CESKY DENIK, with his familiar recklessness, opined about these issues that since Czechoslovakia was a unitary state before 1948, when our citizens lost what was left of democracy, it is necessary to reach now to the same solution. If the Slovaks do not like it, they can go wherever they want.

However, matters are not as simple as that. First of all, were the communists really the ones who "imposed" the

federation on the Czechs? Furthermore: Was prewar Czechoslovakia really a unitary state? And as a matter of fact: Would unitarism provide the solution?

One thing is beyond any doubt: The Czech government attempted to establish a unitary state on the basis of the 1918 agreement of Czech and Slovak ethnic organizations known as the Pittsburgh Agreement (naturally, it was a political document binding both parties only morally and not legally), and on the basis of international covenants on the autonomy of Ruthenia, signed with the parties to the treaty in Saint German-en-Laye on 10 September 1919 (No. 508/1921 of the Collection of Laws). It is quite another question to what extent they succeeded because Law No. 11/1918 of the Collection adopted the existing legal systems, which means that Austrian laws and regulations remained in force in the Czech lands, and Hungarian laws and regulations in Slovakia and Ruthenia. Neither were their administration and legal codes unified. Law No. 64/1918 of the Collection established a ministry with full authority to administer Slovakia where departments patterned after Prague ministries were organized. Analogically, the Civil Administration for Ruthenia was established in Uzhhorod and in addition, the governor's office was opened there as a embryo of Ruthenia's future autonomy (governmental decree No. 356/1920 of the Collection). Furthermore, the Constitution of 29 February 1920 had to honor international obligations and for that reason, its Article 3 assigned a special status for Ruthenia, although during the twenty years of the republic practically nothing was done about it. It is true that the government of the republic made every possible effort to unify the administration and the laws; a special ministry for unification was organized in 1927 and the regional constitution (Law No. 125/1927 of the Collection) introduced on 1 July 1928 unified the administration although even then complete unification was not achieved. For instance, municipal and district notary bureaus in Slovakia and Ruthenia remained as the lowest link of the state administration, while they did not exist in the Czech lands; moreover, Ruthenia retained the governor's office whose operation was reaffirmed in 1937 (Law No. 172/1937 of the Collection). Despite all efforts, even criminal and civil codes could not be unified. The first republic was a unitary state only in the sense that a single legislative body and a common supreme executive institution (i.e., the National Assembly and the government) existed for the whole territory of the state. Naturally, we cannot talk of any administrative or even less so of legal unitarism. In the end unitarist tendencies were buried after Munich when Slovakia as well as Ruthenia were granted broad legislative autonomies (Laws 299/1938 of the Collection, and 328/1938 of the Collection), and thus, Czechoslovakia was transformed into a rather loose trilateral federation.

Of course, it can hardly be said that most of the non-Czech population was content with the prewar unitarism



and centralism; those were only pious wishes of ministerial officials in Prague because the central state administration was the simplest of all systems. That does not mean that the Carpathian Ruthenians, Slovaks and national minorities were in agreement with it. Even Moravian citizens demanded more autonomy, particularly during the so-called Second Republic (30 September 1938 to 15 March 1929).

As concerns the further development of Czechoslovakia, in no instance was it restored in 1945 as a unitary state. After the Slovak uprising broke out in Slovakia in 1944, the Slovak National Council [SNR] at its first public session on 1 September issued a decree whose Article 1 states the following: "The Slovak National Council exerts all legislative, administrative and executive authority in Slovakia" (Decree of the SNR No. 1/1944 of the Collection of Decrees of the SNR). This may be explained either that since at that moment the government [in exile] in London was unable to actually govern in Slovakia, the SNR acted in its stead, or that the SNR assumed sovereignty over Slovakia's territory and had the prerogative to decide how much authority it would cede to joint Czechoslovak agencies in the future. The former explanation of the decree was adopted by the Czech public in the Protectorate, President Benes and the government in exile in London as well as by Slovak Czechoslovaks led by Vavro Srobar. However, when Frantisek Nemec, a governmental delegate for the liberated territory, arrived in Banska Bystrica, it turned out that Benes harbored a dangerous illusion because most of the SNR (and the entire Slovak public) interpreted the decree as expressed confirmation that Slovakia's statehood would continue, albeit within Czechoslovakia. A special SNR delegation was dispatched to London but before the negotiations were concluded, Banska Bystrica fell into the hands of the German army.

When at least some members of the SNR met after the liberation of eastern Slovakia, they faced a situation different from that in the fall of 1944, because the SNR power over Slovakia depended on the goodwill of the Soviet military command which, of course, was obligated by the agreement with Benes to transfer authority to the Czechoslovak government. Still, the SNR's position remained strong, as demonstrated during the negotiations in Moscow and later in Kosice. The Kosice governmental program in fact guaranteed a special status to Slovakia; already then the Slovak political representation pressed for a federal system. It is true that Czech national agencies were not established because of the opposition on the Czech side. Thus, the central government actually performed two functions; while in specifically determined issues its authority encompassed the entire territory of the state, its actual power was limited to the Czech lands. Slovakia was governed by the Assembly of Commissioners (as its executive authority and therefore, in governmental terminology—a government) and by the Slovak National Council. This status was confirmed also by the first and second Prague agreement (1945 and 1946).

While the myth prevails in the Czech lands that the federation was created by the communists, the public in Slovakia is convinced that, on the contrary, their autonomy was completely abolished by the communists; although this matter is not quite as simple, the Slovak view is closer to the truth because when the Communist Party lost the elections in Slovakia on 26 May 1946, it decided to exploit the victory of its partner, the CPCZ [Communist Party of Czechoslovakia], all over the state. With the support of Czech parties—above all, of the nationally shortsighted national socialists—it pushed through the so called Third Prague Agreement according to which Slovakia's autonomy was reduced to a minimum. The offices of the Slovak Commissioners became accountable to the ministries in Prague and after arbitration proceedings (in case of conflicts) the constitutional assembly and the government were authorized to determine any issue in the whole state. Although in matters concerning Slovakia alone both the legislative and the executive power remained in the hands of the Slovak authorities, there could be no doubt that the development was directed toward centralism....

The Slovak communists thought that after the "final victory of the working people" the power in Slovakia would return to them. Naturally, such expectations were naive, because as a rule no government will surrender power voluntarily. On the contrary, after the February takeover the Constitution of 9 May (constitutional law No. 150/1948 of the Collection) curtailed even further the authority of Slovak agencies because the chosen method was an exactly opposite to what the original Prague agreements had envisaged: Central authorities in Prague were empowered to make decisions about everything but the SNR only about specifically determined matters or with the approval of central authorities. Although in the 1950's an amendment resolved the issue of the SNR's authority, in its practical application it was irrelevant because under the communist system the centralist CPCZ made all decisions and the CPSL [Communist Party of Slovakia], which until the February takeover had operated independently, merged with it in 1948. The final stage of the liquidation of Slovak authorities was achieved by the so called socialist constitution of 1960 which abolished the Assembly of Commissioners as a collective agency of executive power.

After that the communists proceeded from the premise that Slovakia's industrialization had resolved the Czecho-Slovak problem once and for all. Viliam Siroky (who with Gottwald's help after February 1948 got rid of his insurgent competition such as Husak, et al., by sending them to the Leopoldov Prison on charges of high treason) proceeded from the speculation that the Slovak people would trade their demands for sovereignty for material welfare. It is axiomatic that such speculations were completely wrong because nations do not demand sovereignty when their material and cultural conditions are unfavorable but just the opposite, when their material and cultural aspirations have already been fulfilled. After all, this is best exemplified by the Czechs in the Austrian empire.

The centralist policy, which culminated during Novotny's dictatorship after 1960, galvanized very soon a nationalist opposition in Slovakia led by the pro-reform communists and liberal intelligentsia. Thus, in many respects the Prague Spring in 1968 was in fact only a sequel to the Bratislava Spring. The demand for a federation in 1968 was nothing more than an attempt to go back to 1945—of course, under the leadership of the communist party and only in matters of the constitutional system. It is now generally known that it was no other than Husak who in the spring of 1968 before the commission for the planning of the federation pressed for exactly the same arrangement as the Slovak representation today demands. Czech agencies were to be organized to share with the Slovak authorities some basic sovereignty by which they would assign part of their delegates to joint agencies.

It is a moot question whether this kind of system could function; however, it is indisputable that in any case it cannot be achieved under the conditions of so-called real socialism. Moreover, because of the Soviet occupation in August 1968 and to the swift adoption of Constitutional Law on Czechoslovak Federation No. 143/1968 of the Collection of 28 October 1968, the new arrangement was stillborn because it retained not only the leading role of the CPCZ based on "democratic centralism" but also unified planning. Both are completely incompatible with the idea of federalism. As soon as Husak attained the office of the CPCZ's first secretary, he himself lost interest in the federation. He was no more popular in Slovakia than Viliam Siroky in the 1950's, since ethnic origin means very little in national relations. It suffices to recall that the most prominent Great Russian jingoist was a Georgian—Dzhughashvili-Stalin.

In many respects the state of Czechoslovak relations today resembles the situation in 1945 and 1968. It is difficult to say with any responsibility to what extent can a loose federation function. So long as it could exist for at least the next twenty years it would be worth of trying. Nevertheless, it may be said with certainty that uncritical praise of unitarism of the pre-Munich republic is absolutely no solution because it is unacceptable for the overwhelming majority of the Slovak (and apparently also for the Moravian) population—regardless of personal appointments to central agencies or to Moravia's or Slovakia's share in receipts from national revenue. Neither should anyone succumb to an illusion that in case of Slovakia's separation we will come to grips with all our problems once and for all. Where is any guarantee that the breakup of our state will stop at the Morava River and that it will not continue in the direction of Ceska Trebova? Although at this moment such a danger is not imminent, in the future the Moravian issue may easily reach similar dimensions as the ongoing Slovak problem. Only some political groups now defend the doctrine that a dysfunctional Czechoslovakia must continue at any cost. However, if we force unitarism upon Slovakia, there is no doubt that thereby we would more or less accelerate the breakup of our state.

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### Trade Minister: EC Trade Barriers Falling

92CH0397B Prague HOSPODARSKE NOVINY  
in Czech 10 Mar 92 pp 1, 3

[Article signed "do": "Customs Barriers Are Falling"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The approved temporary trade agreement between Czechoslovakia and the European Community is one of the proofs of the proexport policy of the Czechoslovak Government, specifically of the Federal Ministry of Foreign Trade, Jozef Baksay, minister of foreign trade, stated yesterday at a press conference in Prague.

A similar agreement with the European Free Trade Area (EFTA), which was to be signed on 20 March (details to be presented tomorrow), falls into the same area. The temporary trade agreement with the EC is effective 1 March, although the association agreement is still working its way through ratification by the parliaments of all participating countries and will clearly become effective on 1 January 1993. Provided, however, there are no unforeseen (however, not unpredictable) events such as the disintegration of Czechoslovakia. If that should occur, then, according to the first possible variation, the successor state of the CSFR would assume the treaty obligations. The second variation—the establishment of two new states—would render the situation still more complicated: The validity of the commercial agreement, as well as the validity of the entire association agreement, would be cast in doubt, along with everything resulting from it, stated Minister Baksay.

The commercial agreement, which aims at establishing a free trade zone within 10 years, effective immediately eliminates customs duties for 70 percent of Czechoslovak exports to countries of the EC, but only 20 to 25 percent with regard to Czechoslovak imports from these areas. The remainder will have free passage into Czechoslovakia over a period of nine years, whereas Czechoslovak goods can take advantage of this provision as early as between five and six years. The direct consequence of these customs duty relief measures is estimated at 5.5 billion korunas [Kcs], but the Federal Ministry of Foreign Trade is warning exporters to consider whether they can offer Czechoslovak goods at expressly lower prices. They could encounter antidumping measures. While the agreement does not rescind such measures, it brings them completely into compliance with the rules of the GATT.

The commercial agreement divides industrial products into nonsensitive products (their delivery to the markets of the EC is to be accomplished free of customs duties) and a sensitive category. The latter is further subdivided into three subgroups, depending on the degree of sensitivity, and customs duties for these categories are lowered gradually at various levels and over varying time spans. For example, the most sensitive group has a customs duty ceiling established (a quota under which goods may be exported free of customs duty) and deliveries above this ceiling are assessed customs duties, the levels of which will be reduced by 15 percent for each year, so that in about seven years their customs obligation will also be zero.

Similarly, deliveries to the CSFR are divided into sensitive and nonsensitive products. With respect to sensitive products, customs duties will be also lowered in phases so that, for example, new automobiles (a specific category) will be burdened right away by a customs duty representing only 80 percent of the existing level (instead of 19 percent, the customs duty will drop to below 16 percent), then 60 percent, 40 percent, 20 percent, and, in the end, also free of duty.

Mutual trade in items which can be categorized as super-sensitive (steel, textiles, agricultural products) is subject to a special regime which is precisely described in special protocols which form an inseparable part of the agreement. In the case of steel, for example, duties imposed on Czechoslovak exports are immediately reduced to 80 percent and then gradually to 60, 40, 20, 10 percent, until they are at the zero level. All quantitative restrictions are rescinded immediately. Exports of Czechoslovak coal will not be subject to customs duties after one year. In the case of Czechoslovak textile exports, duties as of 1 March are reduced to five-sevenths of the existing level and over subsequent years will be reduced by an additional seventh, again to zero. Agricultural trade is controlled by a totally separate regime which is quite complicated and which is evidently the result of extremely labor-intensive negotiations.

All concessions are naturally and exclusively applicable to merchandise of Czechoslovak origin which the exporter must document in shipping documents (precise information will be published by HOSPODARSKE NOVINY on 3 March). Because Hungary and Poland also signed a similar agreement with the EC, a category of cumulative origin of goods is introduced, which means that goods resulting from coproduction involving these three countries are regarded as being of Czechoslovak, Hungarian, or Polish origin. This week, the appropriate agreement between customs administrations of these three countries is to be signed in Budapest, because customs control is entrusted to the Customs Administration, as is the custom in the EC (in our country, this control continues to be the responsibility of the Chamber of Commerce and Industry). In regard to imports of goods originating in countries of the EC, so-called direct shipment is required, so that, for example, a German product which a Czechoslovak importer imports, say, from Austria, will no longer enjoy an advantage.

When HOSPODARSKE NOVINY asked how mutual business between the CSFR, Hungary, and Poland will be handled in conjunction with the association agreements, Minister J. Baksay stated that the negotiations are complicated and he did not exclude the possibility that all three of the countries could aspire to a zone of free trade with the EC and yet not have such a zone with respect to trade among each other. One of the obstacles is already the fact that the average customs rate in Czechoslovakia amounts to not quite 6 percent, whereas Hungary charges 10 percent and Poland even 13 percent, so that any possible mutual agreements would have to have a strongly asymmetric character in favor of Czechoslovakia.

### **Komarek Critical of Economic Plan, Presents Own**

*92CH0397A Prague HOSPODARSKE NOVINY  
in Czech 9 Mar 92 p 9*

[Interview with Valtr Komarek, director of the Forecasting Institute of the Czechoslovak Academy of Sciences, by Jana Havligerova; place and date not given: "Shock Therapy Equals Chaos"]

[Text] Valtr Komarek, director of the Forecasting Institute of the Czechoslovak Academy of Sciences, a delegate to the Federal Assembly, is the leader of the election campaign being run by the Czechoslovak Social Democratic Party [CSSD]. And it is precisely this party which is among the greatest critics of current government economic policy. This determined the topic of our conversation.

[Havligerova] You say you are convinced that the real reform steps were wrong?

[Komarek] In some areas perhaps not, but, in principle, yes. The problem lies in the fact that if you want to have a market economy then general deregulation is necessary. In the final analysis, you must have free prices, free exports, convertibility of the currency, and a uniform rate of exchange, etc. It is another matter, however, as to when and in what connection these measures should be implemented. Today, a whole lot of people who do not feel they are economists will tell you that the introduction of price liberalization as of 1 January 1991 under conditions where competition did not exist was nonsense. There was only a devaluation which meant the advent of costly inflation. To add to this situation by eliminating controls over price formation given the absolute absence of competition made it possible to open a one-way street for price increases. If the situation were not so dramatic, we could perhaps crack jokes regarding the fact that state dairies, bakeries, etc., began to set free prices for milk and bread, prices which were essentially double, and thus became special market entities which

had goods in stock at old prices and whose various managers pocketed the difference to a varying extent.

I am not concerned only with this dramatic prematurity and lack of coordination which everyone can see today. I believe that the essence of the problem is deeper than that: Under the value conditions, the macroeconomic structures, and other deformations which we inherited—in other words, under these specific conditions, the immediate application of a full market liberalization must lead to considerable chaos and to extensive losses in efficiency.

[Havlingerova] Do you have convincing arguments for stating that the approach of shock therapy leads to a loss of efficiency and to the origin of chaos?

[Komarek] This question is aimed quite specifically at the bull's eye and I welcome that because a global discussion on the overall theory and practice of the reform without such specifics cannot be adequately useful in practice.

So, let us quite specifically take the example of introducing the convertibility of the currency. Its implementation, in a situation where we are producing and exporting relatively small quantities of convertible production, cannot be advantageous. Naturally, I did not even previously favor those discussions which said "first a balance in the market and then balanced prices," "first a full measure of adequate convertible production and exports and then convertibility of the currency," etc. These are very lively feedback mechanisms where progress in one direction results in and strengthens progress in another direction. But these relationships must also be honored and one cannot feel that they have no causal relationships and that it is possible to turn them around at random or to relax them. It is precisely in this sense that I qualify the approach formulated by Prof. J. Sachs when he states that convertibility was unjustly considered by East European economists to be a long-term problem, because it can be introduced immediately. The only proviso was that if the rate of exchange cannot come to parity, then parity will come to the rate of exchange—what is meant here is the black market rate of exchange. This is the way things were handled in this country as well. Although negotiations involved the rate of exchange of 20 korunas [Kcs] per \$1, the figure rose later to Kcs24 per \$1 and, in the end, devaluation took it to Kcs28 and it ended up at Kcs30 per \$1. In other words, five to six times the parity of purchasing power in 1989 which, given the opening of the economy, means a redistribution and bargain sale of the national economy to foreign interests.

You may object that all that was involved was internal convertibility, but that would not be accurate. This error clearly also accompanied the first reform steps. In the view of foreign nationals, it is more like full convertibility—they are exchanging their money at the maximum rate of exchange without restriction and, because it is a rate of exchange which is very advantageous to them, it

is possible to assert the Czechoslovak currency at least in part and to exchange it even abroad. What is involved here is more like a running start toward full convertibility or, rather, for the present, a sort of three-quarters convertibility.

You can object again that the substantial increase in domestic prices gradually put everything into balance again. In other words, if, prior to the devaluation of the koruna, that is to say, in 1989, the internal purchasing power with respect to foreign countries (or the parity of purchasing power) was around Kcs5 to Kcs6 per \$1 and about Kcs3.50 per 1 German mark [DM], then it has risen today to approximately Kcs11 per \$1 and approximately Kcs7 per DM1 in the case of purchasing power parity and, in the case of the market rate of exchange it has risen to approximately Kcs16-18 per DM1 and Kcs28-30 per \$1. It would, thus, be possible to judge that matters have progressed back to the point where they were two years ago and that nothing much happened. In other words, nothing happened and what Mr. Komarek says about the rate of exchange is more like the Shakespearean "much ado about nothing."

Certainly, things can be explained in this way and it will clearly not be an untruth. It will be more like a semitruth. Actually, a lot happened. On the one hand, I would like to have the tens of billions of korunas which were so generously donated to foreigners. Moreover, a certain inequality still persists. If the market rate of exchange was previously at about three times parity, this was an expression of the lowered quality of our production, as well as the low quality of our export activities which, as a result of the well-known bureaucratization in this field, for example, was currently achieving export prices which were one-quarter to one-third lower than those achieved by the Western competition. The objective possibilities of the Czechoslovak economy would be reflected by a market rate of exchange which was nearer double parity—in other words, the rate of Kcs10-12 per \$1 and Kcs6-7 per DM1; expressed in today's values, then, this could amount to approximately Kcs20 per \$1 and Kcs12 per DM1. Of course, this would not be possible without a certain amount of regulation, a certain structural policy, etc., continuing as long as several rates of exchange exist. Understandably, this could be the subject of a major discussion and this conversation does not provide us with adequate room for that. This opportunity is likely already passed; in any event, we are speaking about a process which was possible two years ago, understandably accompanied by hard measures aimed against the black market in foreign exchange.

Let us, however, pass from this realm of theory to the realm of reality and let us admit what actually occurred: Devaluation was the least advantageous struggle against the danger of a black market rate of exchange for free currencies. It merely legitimized it and we all felt that we were on an inclined plane leading to a level of a developing country. Devaluation meant a steep increase in the prices of all imports and drove the domestic price levels upward by more than one-half. Afraid of further steep inflation and,

thus, even additional devaluations, the government constricted wages. Real wages declined by one-fourth to one-third and the standard of living of broad strata of the population declined steeply. The original price liberalization, without the pressure of competition, resulted in quite a wild movement of prices and created conditions for extensive speculation. Enterprises increased their incomes; at the same time, however, they suffered the consequences of a decline in domestic and foreign (Eastern market) demand and, for most of last year, industrial production declined by one-third. Basic assets are, thus, being written off "into the air" and efforts to preserve working collectives are resulting in a steep drop of productivity. The increased revenues of enterprises thus only cover over the gross decline in their efficiency. But not even that is enough and the indebtedness of enterprises is rising rapidly. During the first third of last year, this indebtedness amounted to Kcs85 billion and the government is releasing Kcs50 billion in an effort to partially eradicate this indebtedness; nevertheless, by the end of the year the volume of indebtedness was already at Kcs115 billion. Enterprises are setting up crisis staffs which are hunting up money for the next month. Such details as the development of economy and production costs are of no interest to anyone in this struggle. Moreover, there is privatization, there are cruel deadlines, various offices are working up problematic privatization projects, added to this is coupon privatization involving economic and organizational delicacies in the image of a landslide of investment funds and registration confusion, etc.

Many industrial, construction, and agricultural enterprises are headed for bankruptcy in a masterful manner. Their management cannot be too clear about what will happen next. In short, you will probably have a difficult time challenging my starting thesis that shock therapy means far too many ambitious changes at once, that these changes essentially lead to chaotic developments with steep losses in efficiency, which represent a sizable load with respect to subsequent development.

[Havligerova] You have already mentioned privatization in not exactly flattering terms. What do you feel regarding its progress?

[Komarek] It is well-known that I favored the rapid privatization of businesses, restaurants, service organizations, and small industry, with the proviso that they be offered, on a priority basis, to their employees. It was in this sense that I headed the preparations for and presentation of the law on private business activities which was adopted by the Federal Assembly in April 1990 following some unnecessary delays. At the same time, I recommended generous government assistance for beginning private business interests, beginning with tax relief all the way through cheap credits and assistance regarding wholesale trade, warehouses, and items in short supply, such as, for example, telephones, delivery vehicles, etc. I believe that, as far as this concept is concerned, small-scale privatization could have been completed already and could have been much more satisfying to the populace than is the case today when current businesses are converting to luxury specialized salons, boutiques, and

offices for foreign companies and when people must go far afield to find everyday merchandise. And some services, for example, tailoring services, shoe repair, etc., are no longer to be found at all.

In contrast to this, I favored the gradual solution calling for the privatization of medium-size and large-scale industry, etc., their thorough integration with the industrial stabilization program, debt relief for enterprises, and the granting of credits to reorient their production and export programs, increasing their competitiveness, etc. I was basing my considerations on the privatization practices in Italy, Austria, France. Even Mrs. Thatcher was privatizing for 18 years and did so with respect to several tens of enterprises in an ocean of private ownership. It is true, Minister Dlouhy reminded me that, at that rate, we would be privatizing for 500 or 600 years—I remember it well. He clearly took the privatized value of British enterprises, divided it by 18, and arrived at an annual volume which he then used to divide into our far greater sum and then arrived at the above result: Just a mathematical game, as if to say that if four workers take 400 hours to build a house, 400 workers could build it in an hour, and 24,000 workers would only take minutes, even if they could not all fit onto the building site. The Italians, the British, etc., were able to count on a developed private business culture, tens of thousands of experienced businessmen, legal, financial, and other specialists, a well-functioning capital market, a sufficient quantity of domestic capital, etc. We have none of these—but that is so much the worse for the Italians.

[Havligerova] And what about coupon privatization?

[Komarek] The original idea of bringing the possibility of becoming a stockholder closer to ordinary people could have served in the preparation of an interesting program. But as soon as hundreds of investment funds with their Barnum and Bailey advertising which was aimed at penetrating the insecurity of holders of coupon booklets were drawn into the game, it became a sort of national lottery connected with grandiose speculation. Such a large number of interested persons accounts for only a small capital value and it is not clear how much of it will go to bankrupted privatized enterprises. And, today, it is not even possible to exclude any bankruptcies of investment funds nor, on the other hand, the penetration of foreign capital which, given advantageous rates of exchange, can buy up these cheap securities dirt cheap. Simple people are not to blame. After all, there is a saying that he who gives is stupid, but he who does not take is stupider. Is there any point in my asking who is the stupid one in this case, who generally claims to be more clever and makes a virtue out of necessity? So that even the current course of coupon privatization is actually a big success.

[Havligerova] What kind of economic program would you realize in the event the CSSD were to be victorious in the elections?

[Komarek] Primarily, I would like to note that it was precisely the Social Democrats who, in the field of polemicizing with communist models of socialism, were proving over decades that there was an inseparable connection between the modern economy and the market and, at the same time, with a tenacious social orientation. That is why all serious theoretical as well as practical reform attempts at changing the centrally planned economy into a market economy were based on the ideas and practices of West European democracies. These ideas led both to the Prague Spring of 1968 and also to more recent findings based on modern reform concepts worked out, for example, in the Forecasting Institute during 1986-89. It is, therefore, natural that we shall favor and politically formulate a transition toward a market economy and support for private business in unison with efforts to achieve a good economic standard and the social security for all inhabitants. In so doing, we are actually in favor of reform and transformation and, in other words, not in favor of a "big bang," shock therapy, and the revolutionary destruction of existing state industries, the construction industry, cooperative agriculture, etc. In other words, we are concerned with a gradual solution so that the changes would not bring about chaos and economic losses, but rather would be mutually supportive and exponential.

However, we must be realists and tie into that which exists, tie in with the laws which have been approved. Today, the economy is in recession and the recessionary spiral is functioning and depressing it still further. This spiral must be severed. Conditions must be forged for the transformation from deep decline to the revival and growth of the economy. This presupposes the following: Government measures must be adopted to stimulate the increase in demand on the part of the population. Measures must be adopted aimed at increasing public investments. Growth in enterprise investment must be supported. The growth in exports must be supported. These are classic growth factors. They can be quantified and expressed in model form. We have these analyses and models available. For example, we are dealing with the quantification of such a valorization of old-age pensions and salaries for state employees which would rejuvenate their real levels prior to the unleashing of inflation in 1990 and 1991. Similarly, as far as liberalization of wages and renewal of their real levels is concerned during the anticipated agreements between the government, employees, and the trade unions. Here, this would translate into a real wage level of around Kcs6,000. And we weigh this purchase-capable demand together with the possible development of the supply. We believe that the supply of foodstuffs from our agriculture and the supply of consumer goods from our processing industry could rapidly regain the level it had in 1989. And then there is the opportunity to invest private monies in securities, the purchase of privatized real estate, etc. In other words, the offering could be substantially greater than it was prior to the November revolution. And it could grow even more in the future. For example, let us take the automobile boom, which we

can support, develop, and anticipate. After all, even the most immediate demand in our market could involve some 200,000 automobiles and long-term prospects indicate a demand for 600,000 vehicles. Added to this is the building, reconstruction, etc., of highways, roads, motels, filling stations, garages, service facilities, etc., etc. And it would even be possible to speak of other things. But there is perhaps no need.

In the nascent market situation, there is natural decisive demand, the offering will follow. But do we have such high pensions that we could not at least valorize them? Some skeptics might say where should we take the money from—taxes? The secret lies precisely in the mechanisms of a boom situation, where money begets money. If the state contributes to valorizing pensions, people will increase their purchases, industry will increase production and profits, more taxes will be paid, industry will begin to invest, will increase employment.... In other words, the spiral of prosperity operates with equal reliability as the spiral of recession. And the primary impulse in this case must be provided by the government, even at the cost of a certain amount of controlled inflation. But in our country, the share of production costs accounted for by wages is small, the utilization of material is low, etc., so that there are many reserves which can come into play and can attenuate inflation given the actual pressure on efficiency.

This is only an indication of our approach toward growth factors and their program modeling. Naturally, we are concerned not only with quantitative dependencies. I would have to speak a great deal about our notions of more cultural variations of privatization connected with increased efficiency in industry and not, on the other hand, about improving and stabilizing management, the program for increasing competitiveness and exports, about an agrarian program.

We have a lot facing us. If we win the elections, it will not only mean work and opportunity for us alone, but for everyone. It is only by collaborating with all political parties, by mutual tolerance, dialogue and polemics allowing full room for the opposition, and by actual solidarity of us all that we can aim at an actually modern market economy and a satisfied people.

#### **Agreements on Prevention of Dual Taxation Examined**

*92CH0397D Prague SVET HOSPODARSTVI in Czech  
20 Feb 92 p 7*

[Article by Lenka Kohnnerova: "Agreements on the Prevention of Double Taxation of Income and Property and the Assertion of Claims for Tax Exemption or Tax Reduction Based on These Agreements"—first paragraph is SVET HOSPODARSTVI introduction]

[Text] Foreign trade activities and various forms of international economic cooperation connected with the movement of capital and persons are accompanied, among others, by international taxation aspects. Entities, be they private individuals or corporations, which engage in these relationships become taxpayers both in the country of their domicile or their seats, as well as in the country in which their income originates. Consequently, the tax obligations which burden the recipient and lower the resulting financial gain based on such activities abroad run in parallel.

Eliminating this double taxation is possible either on the basis of the unilateral measures taken by some states or by bilateral measures in the form of agreements to prevent dual taxation.

By concluding an agreement to prevent dual taxation, two countries agree on the objective division of the right to collect taxes on income or property which flows from one state to an individual who has a seat or domicile in a second state. This acts to prevent excessive taxation and creates a legal foundation for subsequent economic calculations on the part of foreign investors. Agreements to prevent dual taxation also encompass principles of collaboration between taxing organizations of the signatory states, with the objective of exchanging information and preventing tax evasion, as well as principles of a level, nondiscriminatory handling of taxpayers of the one state in tax proceedings conducted by the second state.

In other words, the agreements determine the contractual state in which the specific type of income or property may be taxed, either in the state in which the income originates or in the state in which the recipient has his domicile or seat, or possibly in both states. To the extent to which the right to impose taxes is granted to both contractual states, the agreement then stipulates the level of the maximum tax rate that can be applied in the state in which the income originates. The article in the agreements which modifies the method of excluding dual taxation stipulates the method by which dual taxation is prevented in both contractual states. In essence, two methods can be asserted: the method of exclusion (excluding foreign income from taxation in the country of the recipient's domicile or seat) and the method of inclusion (including the foreign tax in the tax obligation of the recipient in the country of his domicile or seat).

In other words, this means that income taxed abroad is either excluded from taxation in the country in which the recipient has a domicile or seat or the foreign tax is included in his overall domestic tax obligation. In the first case, this can involve the total exclusion of the income or a so-called progressive exclusion (to the extent to which the profit tax is based on a progressive rate), that is to say, the foreign income is exempt from taxation, but for purposes of applying tax rates to tax other income, the exempted income is taken into account. In the event the method of inclusion is used, gross foreign income is included with the total income of the recipient,

a tax obligation is computed, and then the tax paid abroad is subtracted from this sum, but, as a general rule, only to a level which would correspond to the taxes due on the foreign income within the state of the resident (a so-called current inclusion). (That is to say, if the recipient paid tax abroad at a level of 50 percent and in the country of his domicile or seat the income would be subject to a tax rate of 40 percent, only 40 percent of the foreign tax paid would be included.) Among others, the goal of the agreements is to see to it that the overall tax burden for the recipient is not any greater than if he conducted business only in the country of his domicile or seat.

On the basis of the above-named agreements, which have been negotiated by Czechoslovakia, entities with domiciles or seats in the CSFR are entitled to be exempt from taxes on interest, dividends, or license royalties, or to have their taxes reduced, within the state in which these incomes originate. In some countries, this entitlement is granted automatically, as it is in Czechoslovakia, that is to say, the payer of the income is already directly applying the tax rate (which is lower than the general tax rate) as listed in the agreement. He only needs a certificate from the local tax office which has jurisdiction over the domicile or seat of the recipient, indicating that this is an entity to which the agreement on prevention of dual taxation applies. In other countries, the tax is first reduced by assessing the general tax rate (higher) and the entitlement is recognized only on the basis of a subsequent application to refund the difference, to be filed on special independent forms.

For purposes of asserting claims for tax exemption or tax reduction according to agreements to prevent dual taxation, the Federal Ministry of Finance has issued general directives in issue No. 5, 1980, of its Financial Bulletin. For asserting these claims in individual countries, it issued specific directives which stipulate the procedure agreed upon with the appropriate contracting state. The directives referring to the following countries were published in the issues of the Financial Bulletin shown:

- Belgium, No. 5, 1980
- China, No. 6, 1988
- Denmark, No. 4, 1983
- France, No. 5, 1980
- Japan, No. 5, 1980
- Yugoslavia, Nos. 3-4, 1984
- Cyprus, No. 3, 1982
- Netherlands, No. 5, 1980
- Norway, No. 1, 1981
- CEMA countries, No. 5, 1980; Nos. 6-7, 1991
- Austria, No. 5, 1980; No. 7, 1982
- Greece, Nos. 11-12, 1989
- United Germany, Nos. 3-4, 1984
- Sri Lanka, No. 5, 1980
- Spain, No. 3, 1982
- Sweden, No. 1, 1981

Two multilateral agreements concluded with former CEMA countries will be supplanted in the immediate



future by bilateral agreements. We draw attention to the fact that, effective 1 January 1991, the conditions of the agreement to prevent dual taxation between Czechoslovakia and United Germany are also applicable to the territory of the former GDR.

Table 1 contains an overview of hitherto concluded agreements which are already in effect, including the number of the decree in SBIRKA ZAKONU under which they were published. The agreement with Great Britain will be published in the immediate future.

**Table 1. Overview of Agreements To Prevent Dual Taxation Negotiated by Czechoslovakia (as of 1 January 1992)**

No.	Contractual State	Valid as of	Published in SBIRKA ZAKONU Under No.
1	Netherlands	5 Nov 1974	138/1974 SB.
2	France	25 Jan 1975	73/1975 SB.
3	Finland	24 Jul 1976	134/1976 SB.
4	Belgium	17 Dec 1977	24/1978 SB.
5	Japan	25 Nov 1978	46/1979 SB.
6	CEMA	1 Jan 1979	30/1979 SB.
7	CEMA	1 Jan 1979	49/1979 SB.
8	Austria	12 Feb 1979	48/1979 SB.
9	Sri Lanka	19 Jun 1979	132/1979 SB.
10	Norway	28 Dec 1979	35/1980 SB.
11	Sweden	8 Oct 1980	9/1981 SB.
12	Cyprus	30 Dec 1980	30/1981 SB.
13	Spain	5 Jun 1981	23/1982 SB.
14	Denmark	27 Dec 1982	53/1983 SB.
15	Federal Republic of Germany	17 Nov 1983	18/1984 SB.
16	Yugoslavia	17 Apr 1983	99/1983 SB.
17	Italy	26 Jun 1984	17/1985 SB.
18	India	13 Mar 1987	77/1987 SB.
19	China	23 Dec 1988	41/1988 SB.
20	Greece	23 May 1989	98/1989 SB.
21	Brazil	14 Nov 1990	200/1991 SB.
22	Nigeria	2 Dec 1990	339/1991 SB.
23	Great Britain	20 Dec 1991	—

Table 2 contains the most significant provisions of these agreements, that is to say, the rates of reduced taxes on dividends, interest, and license royalties which can be applied to these incomes in the country where these incomes originate. If the column of license royalties contains two tax rates, the first pertains to royalties in the sense of salaries accepted as replacements for utilizing or

the right to utilize patents, proposals or models, designs, secret formulas or procedures, or industrial, commercial, or scientific facilities or for know-how. The second rate applies to payments for the use of the right to use copyrighted literary works, artistic works, and scientific works, including cinematographic films and films or tapes for television and radio broadcasting.



Table 2

Contractual State	Origin of Permanent Operating Facility for Construction Projects and Assembly Work	Maximum Tax Rate in Country of Income Origin		
		Dividends	Interest	Licensing Royalties
Belgium	More than 24 months	15%	10%	5%, 0 for cultural ones
Brazil	More than 6 months	15%	15% or 10%, long-term government credits exempt	15%, 25% for patents
China	More than 12 months	10%	10%, government credit exempt	10%
Denmark	More than 12 months	15%	0	5%, 0 for cultural ones
Finland	More than 12 months	5% with ownership of 25% of shares, 15% for remainder of cases	0	5%, 0 for cultural ones
France	0	10%	0	5%, 0 for cultural ones
India	More than 6 months	15% with ownership of 25% shares, 25% remainder of cases	15%, government credit exempt	30%, including technical services
Italy	More than 12 months	15%	0	5%, 0 for cultural ones
Japan	More than 12 months	10% with ownership of 25% of shares, 15% for remainder of cases	10%, government credit exempt	10%, 0 for cultural ones
Yugoslavia	More than 12 months	5% with ownership of 25% of shares, 15% for remainder of cases	0	10%
Cyprus	More than 6 months	10%	10%, government credit exempt	5%, 0 for cultural ones
Nigeria	More than 3 months	12.5% with ownership of 10% of shares, 15% for remainder of cases	15%, government credit exempt	15%
Netherlands	0	0 with ownership of 25% of shares, 10% for remainder of cases	0	5%, 0 for cultural ones
Norway	More than 12 months	5% with ownership of 25% of shares, 15% for remainder of cases	0	5%, 0 for cultural ones
CEMA	0	0	0	0
Austria	More than 12 months	10%	0	5%, 0 for cultural ones
Greece	More than 9 months	38-47%	10%, government credit exempt	10%, 0 for cultural ones
United Germany	More than 12 months	5% with ownership of 25% of shares, 15% for remainder of cases	0	5%
Sri Lanka	More than 183 days	15%	10%, government credit exempt	10%, 0 for cultural ones
Spain	More than 12 months	5% with ownership of 25% of shares	0	5%, 0 for cultural ones, excepting films and TV films
Sweden	More than 12 months	0 with ownership of 25% of shares, 10% for remainder of cases	0	5%, 0 for cultural ones
Great Britain	More than 12 months	5% with ownership of 25% of shares, 15% for remainder of cases	0	10%, 0 for cultural ones

The first column of Table 2 is tied to Article 5 (Permanent Operating Facility) of the agreements to prevent dual taxation which stipulate the time limit for the establishment of a permanent operating facility in terms of construction and assembly work. (The expression "permanent operating facility" was defined in the treaties as "a permanent facility for entrepreneurial activities in which the enterprise conducts all or part of its activities." To the extent to which an enterprise of one of the contracting parties engages in entrepreneurial activities in the second contractual country through the means of a permanent operating facility located there, the profits of that enterprise may be taxed in that second country to the extent to which they can be attributed to that permanent operating facility.) For example, if a Czechoslovak enterprise is engaged in construction activities in Spain for more than 12 months, then this construction project is considered to be a permanent operating facility and the Czechoslovak enterprise is obligated to pay taxes in Spain on the profits from this construction project (taxes on corporate profits, taxes on employee wages) and must do so for the entire period beginning with the initiation of the construction project.

#### Coupon Privatization Law Limitations Examined

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pp 56-58

[Article by Vaclav Bartik, Czech Office for Economic Competition: "On One of the Pitfalls of Coupon Privatization—Investment Privatization Funds From the Standpoint of the Law on Economic Competition"]

[Text] Brno—Privatization through the actions of investment privatization funds (IPF) is part of the ongoing transformation applicable to national property. For holders of investment coupons, this way of participating in coupon privatization is attractive particularly thanks to the fact that it limits the entrepreneurial risks connected with the placement of investment coupons in individual enterprises. This is given by the fact that the IPF, which serves to unite thousands of coupons, is capable of substantially reducing this risk. Moreover, the availability and processing of information on approximately 1,800 enterprises which are assigned to the first wave of privatization is quite complicated and demanding, so that the individual can definitely not master it.

It is, therefore, understandable that the founders and the funds themselves are doing everything to meet the anticipated interest on the part of citizens regarding the transfer of coupons, which results not only in a sizable number of such funds, but also gives rise to extensive (and sometimes even pervasive) advertising campaigns revolving around precisely this form of coupon privatization.

Because the entire concept of coupon privatization is an original and nonstandard method of transferring state property to its individual citizens, it is unfortunately necessary to figure on the fact that in designing it and

activating it, economically undesirable manifestations may occur. One such area in which, in my opinion, a violation of valid legal standards is occurring or can occur is the relationship between an investment privatization fund as a stock corporation to Law No. 63/1991 on the protection of economic competition.

#### Legislative Vacuum

The above-mentioned possibilities of violating the law are a consequence of the absence of binding legislative provisions; a thorough regulation of the origin, standing, activities, and management of investment corporations and funds, as well as state oversight over them is missing in our legal regulations. Moreover, even in the law on investment corporations and investment funds which is under preparation (including IPF's), some provisions are formulated in such a way that they inadvertently create room for violating the law on protecting economic competition.

The first legal document in which the questions of the IPF's are addressed is Decree No. 383/1991 of the Government of the CSFR on the issuance and use of investment coupons. This decree stipulates the conditions under which, and the methods by which, holders of investment coupons can entrust them to an IPF so that the IPF can use the coupons they transfer to it to purchase securities. Furthermore, this decree describes the procedure involved in handing over and taking over investment points.

The above decree of the CSFR Government is, however, only a technical directive on how to administratively secure the issuing and use of investment coupons while adhering to all formal provisions, primarily in the relationship between the holder of investment coupons and the IPF.

So as to eliminate the existing legislative vacuum in the investment field, the Federal Ministry of Finance last December prepared a proposal for a law on investment corporations and investment funds which sets as its goal the comprehensive modification of the origin, standing, activities, and management of investment corporations and funds. It turns out that, just as these institutions can be an important link in the financial market, there are, at the same time, opportunities which are seductive with respect to abuse, speculation, and fraud. From the standpoint of protecting economic competition, it is material that the proposed law on investment corporations and funds (in No. 24 of its principles dealing with limiting and distributing risk) sets the limits which an investment corporation is obligated to adhere to in administering the property of an investment fund (in our case, an IPF) so that it cannot exert a decisive influence upon the management of the business activities of the issuer of the securities (in our case, of a privatized enterprise—a stock corporation). Of a total of eight such restrictions, the following are material from this standpoint:

The property of an investment fund may not include more than 10 percent of the securities of any one issuing authority.

The property held by the investment fund in securities must not share in the overall volume of securities issued by the same issuing authority to an extent greater than 20 percent.

In administering investment funds, an investment corporation must make sure that:

- The total property of all investment funds which it administers does not contain more than 40 percent of securities issued by one and the same issuing authority.
- The overall property of all investment funds which it administers is shared in by a maximum of 40 percent of the securities issued by one and the same issuing authority.

#### The Possibility for Circumventing the Law

Even though the above limitations look like they might be an adequate guarantee that an investment corporation could not exert a decisive influence upon the activities of the issuing authority of the securities involved, there exists the possibility of circumventing the stipulated rules in the case of a single founder administering a larger number of IPF's. I wish to point out these possibilities in this text, together with a graphic depiction. Before that, however, I consider it necessary to draw attention to an existing conflict in the very language of the proposed principles of the law on investment corporations and investment funds. Principle No. 33 states as follows:

1. Investment corporations and funds, established prior to the effective date of this law (that is to say, prior to 1 July 1992) are considered to have been established in accordance with this law as long as they bring their standing and activities into compliance with it within six months following the effective date of the law.
2. The obligation to limit and distribute risk, as stipulated in principle No. 24, must be fulfilled by investment corporations and funds (listed in the preceding point) by the end of 1994.

The reasons for deferring the effectivity of the limitations listed in principle No. 24 are the consequences of the situation in financial markets where a stock exchange trading securities does not yet exist and where the diversification of a portfolio of securities will not be possible until a securities market comes into being.

On the other hand, it is necessary to realize that the proposed law on investment corporations and funds in its present image, by way of the proposed principles, directly offers the founders of IPF's the opportunity of deliberately ignoring the stipulated restrictions and limitations until the end of 1994. This means that the IPF's, thanks to their financial strength, can absolutely control

certain enterprises during the stipulated transition period (until the end of 1994).

#### How To Control an Enterprise

In taking a closer look at a specific IPF, we find that, in addition to the possibility of evading the transient period for observing principle No. 24, the founder of several IPF's has sufficient opportunities for controlling a certain enterprise through his IPF's, even while observing the legal restrictions to the extent that he will be making decisions regarding the activities of the enterprise (the stock corporation).

For example, the founder of a substantial number of IPF's can schematically depict a model situation in which several similar entities appear on the financial market and can show how, even while adhering to the provisions of principle No. 24, a violation of the law on protecting economic competition can occur.

Figure 1 [not reproduced here] describes the status in the market prior to the initiation of the privatization wave. During its course, citizens (A) and IPF's (F) will, stated in simplified form, be acquiring securities from individual issuers (privatized enterprises—stock corporations).

A closer look at the s issuer (E<sub>s</sub>) who offered the maximum 97 percent of his property for coupon privatization and a closer look at the acquisition of securities issued by this issuing authority from the side of the citizen-stockholders (A) and investment privatization funds (F) yields Figure 2 [not reproduced here]. From it, it is clear that 90 percent of the property of issuer s was divided among seven IPF's, owned by three founders and 14 citizen-stockholders.

From the standpoint of the law on investment corporations and funds, it is material that the first, second, fifth, and eighth IPF's, established by the fifth founder (F<sub>1</sub>Z<sub>5</sub>, F<sub>2</sub>Z<sub>5</sub>, F<sub>5</sub>Z<sub>5</sub>, F<sub>8</sub>Z<sub>5</sub>), adhere to the provisions of principle No. 24 (that is to say, a 10-percent share by the issuer of the securities in the property of the fund) and not even the fifth founder violated the law because the property of the IPF's, which he administers, is shared in only to a maximum 40 percent by the securities of our hypothetical issuer s.

However, from the standpoint of the law defending economic competition, founder No. 5 has acquired 40 percent of the votes with which he will be influencing the voting on the decisions taken by the stock corporation, not only in the economic area, but will be asserting his interests with the same weight (40 percent) with regard to the personnel staffing of the board of directors and other organs of the corporation. And here it is sufficient to realize that the board of directors has the rights of an employer and directs and organizes the work of the enterprise....

Perhaps someone might feel that less than 51 percent of influence over a stock corporation seems secondary, but

it is necessary to realize that the situation depicted in Figure 2 is only a small pebble in a giant mosaic of relationships which will develop in the financial market. For example, in addition to our s-issuing authority there will be another—an s-1 issuer—who will have the same distribution of securities with the difference that the fifth and 44th founders will switch "roles":

- Founder No. 44 will, through his investment privatization funds  $F_1$  through  $F_4$ , have the permitted 40 percent.
- Founder No. 5, through his  $F_2$  and  $F_3$  funds, will control 20 percent.

Given a sensible "cartel" agreement between both founders (administrators), founder No. 44 will support the strategies of founder No. 5 in the voting involving issuing authority s, which will, in fact, lend founder No. 5 a strength of 60 percent. In case of the s-1 issuer, then, founder No. 5 will return the favor and founder No. 44 will also achieve 60-percent influence here. There is a large number of such and similar combinations.

I am disregarding yet another aspect of evaluating the possibilities presented by a larger number of IPF's established by a single founder and that is the comparison of the statutes of the IPF's or rather their personnel staffing (board of directors, oversight council) with the Commercial Code, specifically those provisions dealing with stock corporations. In this case, this is only part of the generally known phenomenon (also left without regulation legislatively) which is participation by some employees of organs of state administration and state monetary institutions in the above-mentioned organizations.

The entire process of privatization is not only a mere change of ownership to private ownership, but also the transformation of the ownership monopoly into a deconcentrated ownership structure. In the event the above-listed influences upon the formation of a competitive environment are not fully appreciated, both from the standpoint of capital and also personnel ties, it is quite realistically possible that, in the foreseeable future, strong horizontal and vertical conglomerating capital interconnections may form, which are accompanied by the express restriction of the entry of new entrepreneurial entities into the market and thus also by restriction of competition. In its consequences, then, the very spirit of privatization would be negated.

#### Concluding Remarks

In connection with the IPF's, I personally pose the question as to the extent to which the desired deconcentration will actually occur. The citizen, as a holder of an investment booklet, who has turned all of his coupons over to an IPF does not acquire the securities of the enterprise selected for privatization after the privatization wave is concluded, but rather acquires the securities issued by "his" IPF. This means that in this process the IPF will function as a type of curtain or filter between the citizen and privatized property. What will then be the actual share of the citizen in this property?

#### Legal Standing of Business Arbitration Discussed 92CH0398E Prague EKONOM in Czech 5 Mar 92 pp 22-23

[Interview with Frantisek Faldyna, chairman of the Business Council of the Supreme Court of the CSFR, by Jiri Nesnidal; place and date not given: "Business Disputes in Judicial Garb"—first paragraph is EKONOM introduction]

[Text] Among the changes that have made substantial incursions into the sphere of business, as brought about by laws effective with the first day of this year, is the amendment of the Civil Judicial Code, based on Law No. 519/1991. Among others, this created the fundamental prerequisites for supplanting the activities of economic arbitration with business justice. We spoke with Frantisek Faldyna, doctor of jurisprudence, candidate of sciences, chairman of the Business Council of the Supreme Court of the CSFR, about how business disputes will be solved according to the new legal arrangement.

[Nesnidal] Law No. 519/1991 rescinded the law on economic arbitration and thus, in fact, also did away with state arbitration. You were the chief of state arbitration for the federation which reconstituted itself as a result of this change into the Business Council of the Supreme Court of the CSFR. If you would briefly evaluate this process for us.

[Faldyna] The process of integrating economic arbitration into the judicial system and its transformation into a business judiciary could be characterized in two directions: according to its legal side, as well as according to its factual side.

The legal aspects are based on the fact that it was necessary to legislatively handle the demise of state arbitration and the origin of the business judiciary within the framework of the system of general courts. This was accomplished on the basis of Law No. 335/1991 on the courts and the judiciary which, although it went into effect on 1 September of last year, contained the provisions of Sections 64 through 66 which stipulated measures for including economic arbitration in the judiciary and which did not take effect until 1 January 1992. Tied into this was Law No. 519/1991 which altered the Civil Judicial Code and which completed this organizationally legal page even with regard to the proceedings involved. Thus, the prerequisites for the functioning of the judiciary in business judicial proceedings were created which, naturally, are only the subbranches of the civil judiciary proceedings. It is essentially a civil judiciary proceeding with the only difference that the object of the proceedings are not civil disputes, but rather business disputes.

The factual side rests on the creation of technical-organizational, personnel, and other prerequisites for the transformation of economic arbitration into a business judiciary. The business judiciary could not be created as an original judiciary because, from the very beginning, it was limited by the current shortage of judges. There was

nothing else to do other than to transform state arbiters into business judges. This emergency solution is not so bad, in my opinion, because, despite certain differences in the civil judiciary proceedings and in arbitration proceedings, the substance tends to remain the same. It continues to involve a trial before a state organ, which decides a dispute among two participants—formerly an economic dispute, now a business dispute.

[Nesnidal] How can the present situation of the business judiciary be characterized? What place in the business judiciary is occupied by the federal Business Council?

[Faldyna] The foundation of the business judiciary today is formed by former state arbiters who are today's judges of the business senate, with the exception that personnel is being primarily added to that component of the business judiciary which is decisive, that is to say, at the kraj level. In the Czech Republic, the situation is somewhat different in that here Czech National Council No. 436/1991 created independent kraj business courts with seats in Prague, Brno, and Ostrava, in other words, in regions having the greatest concentration of economic entities and, thus, also business disputes. Of course, in addition to these three specialized courts, business judiciary activities in the Czech Republic are handled by business senates attached to kraj courts. In Slovakia, a similar law has thus far not been adopted; its discussion in the Slovak National Council is being prepared.

If we look at the business judiciary hierarchically, then it is possible to begin with kraj courts or kraj business courts in the above-mentioned cities. The second step is created by the Supreme Court of the Czech Republic, the Business Council which is currently composed of 10 business senates. A similar situation pertains in the Slovak Republic. The entire system is topped by the Business Council of the Supreme Court of the CSFR.

The federal Business Council does not decide on any regular legal remedies—on appeals, but only on appeals as extraordinary remedies. Apart from deciding certain appeals, which will be the main business of the federal Business Council, it will be involved in unifying the judicatures of the various republics.

[Nesnidal] Judging by the provisions of Section 9 of Law No. 519/1991, it would seem that kraj courts have jurisdiction in the majority of business disputes as courts of the first instance. Is this actually so?

[Faldyna] The predominant majority of business disputes will indeed be decided at the kraj level. The amended Civil Code has created prerequisites for the fact that a portion of small business disputes—the so-to-speak trivial matters—will be decided by okres courts, much like other civil matters. The kraj courts, as courts of the first instance, will decide business disputes outlined in Section 9, Paragraph 3, of the Civil Code. These will be primarily business disputes between entrepreneurs, both of whom are either recorded in the Commercial Register or at least one of whom is recorded in the Commercial Register, but at the same time provided that

the sum demanded by the plaintiff is in excess of 50,000 korunas [Kcs]. Apart from that, they will decide other conflicts which are identified in the cited provisions and they will deal with business matters listed in Paragraph 4 of the same section. From this, it is clear that the overwhelming number of business matters will be decided not at the okres level, but at the kraj level. Which will, naturally, mean a hefty burdening of both independent business courts in those three above-named cities and also the business senates established in affiliation with the remaining kraj courts.

[Nesnidal] What fundamental changes occurred in proceedings involving matters of the Commercial Register?

[Faldyna] The material legal foundation of the Commercial Register is provided in the Commercial Code. In principle, the continuity with the Enterprise Register is preserved, but nevertheless some significant changes did occur. Predominantly in the sense that the Commercial Register has become completely public. Anyone can examine it without proving any legal interest, as had been required by the previous regulation. The Commercial Register will, in future, be fulfilling the role of a public listing, open to all who wish to acquire information on enterprises, entrepreneurs, and their entrepreneurial activities.

[Nesnidal] In what do you see the purpose of such a legal arrangement? It is known that disputes took place, even at the highest levels, regarding public access to the Commercial Register until the last minute.

[Faldyna] Personally, I am convinced that it is correct for the Commercial Register to be open to the public and be a generally accessible listing. If entrepreneurial activity is to continue to develop, then the Commercial Register must primarily be of assistance in organizing legal security. That is why it must also contain all legally required data regarding individual entrepreneurial entities. This, at the same time, makes it possible for all interestees to choose an appropriate business partner and to acquire information about him which is important to the establishment of possible business contacts. The same purpose is to be served by publishing abbreviated information from the Commercial Register in OBCHODNI VESTNIK [COMMERCIAL GAZETTE], publication of which is being prepared.

[Nesnidal] However, the function of the Commercial Register is not exhausted by providing information....

[Faldyna] The Commercial Register also fulfills an important control function. The registration court records an entrepreneur only after he has fulfilled the conditions stipulated by law. A copy of the recordation is sent to the appropriate finance office, which is of great significance from the standpoint of overseeing the fulfillment of tax obligations.

[Nesnidal] You mentioned that the Civil Code was amended—specifically as a result of provisions contained in Section 236 and subsequent sections—

augmented by appeal provisions which replace the existing grievance procedures involved in violations of the law. What is the substance of this institution insofar as business disputes are concerned?

[Faldyna] The appeal is one of the new institutions which specifically democratizes court proceedings. Grievances for violation of the law according to the previous arrangement could be filed only by the prosecutor general, who represented the state. The filing of a grievance for violating a law was not directly available to a citizen or an entrepreneur. An appeal to a higher court is filed by one of the parties in dispute, that is to say, the entrepreneur himself, within one month of having received the decision regarding an appeal from the Supreme Court of the republic, from the court of second instance. The filing of an appeal to a higher court is fully at the disposal of the participant in a dispute and not at the disposal of some third party—a state organ. It can be filed against every decision of an appellate court, provided it fulfills certain conditions listed in the provisions of Sections 237 through 239 of Law No. 519/1991.

[Nesnidal] The amendment of the Civil Code resulted in still other substantial changes. What can be expected of them in regard to the entrepreneurial public?

[Faldyna] A substantial change is primarily the fact that a payment order can be issued for as much as Kcs100,000, which should speed up proceedings in business matters. Let us say quite openly that in addition to a shortage of judges, one of the greatest ills of current judicial practice is the fact that civil court proceedings last a relatively long time. However, in business matters, it is in the interest of the parties for this not to be so. The results of such a dispute are not infrequently a matter impinging on the actual existence of an entrepreneur. At least our experiences in recent times so indicate. Therefore, there is an effort to accelerate proceedings, of course, not at the expense of the principle of hearing testimony. Estimates indicate that payment orders could serve to solve approximately one-half of all business disputes. What is involved here is that, in addition to assuring all the rights of the participants to the dispute, the proceedings should be handled in the shortest possible time. This would be primarily in the interest of the entrepreneurs themselves—of the parties to the business dispute.

For a certain time, the change transforming economic arbitration to the business judiciary, in accordance with temporary provisions contained in the amendment of the Civil Code, will also cause problems, particularly where disputes are involved which were initiated last year. Things will be more complicated primarily in areas where appeals are filed. At the level of the Supreme Court of the federation, some matters will continue to be judged as proposals for investigation according to the law on economic arbitration; at the same time, however, they must already be solved according to provisions of the Civil Code. Some matters will be temporarily resolved as grievances involving law violations. These

will be those decisions on appeals which will acquire legal power in December and cases in which the parties had the opportunity of filing an appeal until the end of January—appeals which are considered to be grievances with respect to violations of the law. And it is only with respect to new matters—those which arise after 1 January of this year—that appeals to a higher court can be considered.

[Nesnidal] Today, when we are standing at the beginning of the introduction of the judicial reform into our economic life, where do you see the greatest pitfalls and most frequent sources of problems resulting from the new legal arrangement?

[Faldyna] It is primarily the truly enormous number of conflicts we had last year. There are approximately 100,000 conflicts, which is approximately a fourfold growth compared to previous years. If we consider that personnel staffing did not change, then it is not surprising that, for example, in January, it was not possible to master such a quantity of business disputes. It can be explained by the extraordinary increase in the number of entrepreneurial entities and by the greater complexity of business ties between them. Today, there are more areas of friction between such a quantity of entrepreneurs than was the case in the past and, thus, even greater opportunities for conflict. Therefore, it can be logically anticipated that there will be a fourfold increase in appeals and, at the level of the final instance, even a fourfold increase in the number of appeals to a higher court.

Another problem is the technical-organizational side, consisting of a shortage of appropriate space, particularly of negotiating rooms. This is no longer a case of negotiating in an arbitration office or the oral negotiation of disputes between two sides in front of an independent judge or a senate. Judges sit in their robes, the interrogation of witnesses takes place, proof is presented to the fullness of the extent typical for civil court proceedings. None of this was required for arbitration proceedings. The judicial form of decisionmaking pertaining to business disputes naturally means more time and requires more material, but what is decisive is that the principle of hearing evidence protects the interests and rights of the participants much better. Moreover, the entire proceeding is imbued with more dignity.

From the standpoint of the institution which I manage, it is important to prepare to move to Brno in regard to the indicated direction, because, according to Law No. 335/1991, that city is the seat of the Supreme Court of the CSFR. The move must be accomplished at the latest by the end of this year.

#### **Coupon Redemption by Investment Funds Examined**

*92CH0398B Prague HOSPODARSKE NOVINY  
in Czech 4 Mar 92 p 9*

[Article by Jiri Dvorak, College of Economics, Prague:  
"The Offers Are Serious"]

[Text] HOSPODARSKE NOVINY of 11 February 1992 published an extract from a lecture by Prof. O. Kyn, devoted to coupon privatization ("What Is the Cost of a Coupon Booklet"). In reading it, I came up with several questions.

According to the above-mentioned article, the value of property per coupon booklet is estimated, in the year 2001, to be 33,317 korunas [Kcs] with a standard deviation of Kcs7,738. If, by discounting, we calculate today's value of Kcs33,000 (we take as a basis for the calculation not today's interest rate of 14 to 16 percent, but a mere 8 percent, which is a rate most likely to be in effect for the long term), then we arrive at a value of Kcs15,285. At a 10-percent interest rate, which corresponds approximately to the interest rate on long-term savings of a capital nature, for example, in the Federal Republic of Germany, it amounts to a mere Kcs12,720. These two numbers clearly indicate that the offerings of investment funds, which offer to buy up the shares of their funds after one year for Kcs10,000-15,000, are serious, particularly if we weigh the risk and limitations to which a person who would wish to place his coupon points directly without the assistance of an investment privatization fund is exposed.

In the relationship with inflation, it is clearly necessary to differentiate between two situations: a) the creation of inflation in the course of the upcoming year in anticipation of a mass sale of securities by privatization funds. Here, the privatization funds would actually not suffer any losses in view of the fact that they did not provide guarantees of valorization; b) if inflation did not occur until after the sale of securities as a result of an excessive growth in demand (so-called demand-full inflation), again the investment privatization funds would not be threatened, but the stability of the currency might be threatened.

According to the article by Professor Kyn, this danger is mitigated by the fact that the mass of the population will behave in accordance with suppositions on which the model of the optimum conduct of a consumer is based. Let us recall that according to this theory (which is sometimes called the theory of rational expectation), economic entities will not make any errors in evaluating the consequences of global economic-political measures and that partial errors which will result in this evaluation will not be of fundamental importance.

The problem I consider in this connection is whether it is possible to apply the expectations of the above theory even to our consumers as long as they are growing up in totally nonmarket and universally deformed conditions? I believe that only solidly sociological and psychological tests of our consumers could provide an answer to the question whether young people in our country, who are beginning their careers, will be willing to set aside Kcs29,000 of an unexpectedly gained Kcs30,000 for savings and that people facing retirement will have a greater tendency to spend? Even before the above article appeared, I organized a minitest in my neighborhood, asking the question as to

how anyone would handle Kcs15,000, unexpectedly acquired in 1993? Nine out of 10 young people would use it all or virtually all to pay for travel, to pay off debts, and to make investments; with respect to the older generation, on the other hand, the longing to capitalize this sum, and to thus acquire additional resources to help pay for growing living expenses, predominated. I am aware of the low declaratory value of my examples, but I would nevertheless recommend that we put off claiming that data for Czechoslovakia confirm "the results of empirical studies realized in the West" until the actual behavior of the population is evaluated. However, it seems that it is necessary to prepare such research already today so as to make it possible to react to the conduct of the population on a timely basis. I believe that a certain portion of the resources (clearly greater than anticipated by Prof. O. Kyn's model) will be devoted to consumption and will thus, perhaps in conflict with the intentions of the authors of coupon privatization, serve to revitalize demand and, thus, lead to national economic growth. What is involved here is that this process should not become the impetus for the development of an inflationary spiral.

#### **GOLEM Organization Views Economic Transition**

92CH0398D Prague EKONOM in Czech 5 Mar 92  
pp 27-28

[Article by Anna Cervenkova: "A Meeting in the GOLEM Club—The Group of Independent Economists on the Transformation"—first two paragraphs are EKONOM introduction]

[Text] In recent days and weeks, we have been living through a period which could be called revolutionary. It is precisely now that decisions are being made regarding the success of our entire economic transformation. Eight million of our citizens have become holders of investment booklets (DIK) and thus voted in favor of the government economic policy. This success is undoubtedly pleasing, but also involves certain obligations. The failure of coupon privatization (for example, a substantial slowdown, an insufficient offering, the bankruptcy of investment funds) would represent a giant disappointment given such great interest which a government policy would clearly not survive. Success of the coupon privatization will be decisive in the elections and, in the final analysis, will even be decisive as to whether we definitively make the transition to market principles or whether we shall stagger about in the hopeless circle of pious wishes and inconsistent provisions.

At the beginning of February, these were precisely the questions discussed at an informal meeting within the GOLEM Club of Chief Executive Officers. Guests of the club were instructors from the CERGE (Center for Economic Research and Postgraduate Education at Charles University), representatives of the trade unions



and of the press. Special questions pertaining to investment funds were subsequently the subject of a lecture by one of the participants in the meeting, Boston University Prof. Oldrich Kyn, who is currently teaching at the CERGE.

### Criticism From the Right

At both meetings, there was talk of the fundamental questions of the transformation. In view of the fact that the discussion was based on the critical statement by the group of independent economists, the publication of which on 31 December 1991 in *LIDOVE NOVINY* occurred already virtually two months ago, we are briefly repeating its main points. The cited statement, which was subsequently characterized as "criticism from the right," primarily states that the fundamental principles of our transformation are in order, that the liberalization of prices, the opening of the economy, the currency and budget restrictions, as well as the efforts to achieve rapid privatization are measures which were essential and which were successful in terms of their consequences.

Nevertheless, the lack of consistency and decisiveness in government strategy led to the development of weak spots and problems, an increase of which could threaten the further success of the ongoing transformation. The authors of the statement see these weaknesses particularly in the lack of support for small and medium-size business, in the slow progress of small-scale privatization, in the inconsistency involved in supporting coupon privatization and in the timid, indecisive position taken with respect to foreign capital.

The principal argument of the "leftist" criticism of the current progress of our transformation is the failure of the efficiency of the Czechoslovak economy, which occurred last year. The authors of the cited criticism "from the right" stress that an important internal factor behind the decline in production was the inadequate support given to small and medium-size business, the slow progress of privatization, and particularly a shortage of foreign capital. The decline in production in the state sector was unescapable, but the overall decline would not have had to be so steep if private business in this country as well as abroad could have begun to present significant competent competition to the state monopoly giants right from the beginning of price liberalization.

### What Hampers Influx of Foreign Capital

"It is downright shocking," stated O. Kyn in the *GOLEM* Club, "that a liberal economist, a follower and translator of F. Hayek, is able to conceal the family silver from the free movement of foreign investments." Protection of the family silver, however, is not the only thing hampering the interest of foreign capital: It is primarily political instability, the nonfunctioning infrastructure (telephones, faxes, the desperately slow banking operations), the slowness, the bureaucracy, and irresponsibility of state organizations, the postsocialist work ethic, where an official is able to put off signing a contract from

Friday to Monday (that is by half a week) so he could travel to his weekend cottage in peace. Verbal proclamations are not enough—foreign investors must see the actual will to permit them to do business here.

A frequent objection to the demand that foreign investors be permitted, for example, to buy real estate is the current rate of exchange of the koruna. "The notions that, without strong barriers and protective restrictions, given today's rate of exchange, foreign capital could buy up all of Czechoslovakia's national wealth in one afternoon are completely nonsensical; the rapid influx of foreign capital can substantially improve the balance of payments and can thus contribute to valorizing the rate of exchange of the koruna."

### The Openness of Investment Funds

Of course, the central point of all discussions today is coupon privatization. During the above-mentioned lecture, Prof. Kyn stated that, as far as the number of investment funds per inhabitant is concerned, Czechoslovakia has outstripped 70 years of development in the United States in a few weeks. Another matter, of course, is the legal underpinning, control, protection of small investors, and, what is most important—the tradability of securities. "The very prohibition of selling coupon booklets was nonsense," contends Professor Kyn. "I am afraid that a number of investment privatization funds came into being only for purposes of circumventing this law. What is most important, however, is that the opportunity to trade securities come about as rapidly as possible so as to establish a capital market. A bureaucratically thinking politician is always prepared to protect the citizen, but frequently does him no favor that way. The market is like water—it will always find its way, if not legally, then some other way. Let us therefore prevent the escalation of administrative incursions which only serve to further slow down the creation of a secondary market in securities and restrict competition in the area of investment privatization funds. Administrative prohibitions create the hotbed for speculation and it is speculation which could result in robbing the citizens. Investment funds should be open to the maximum and subjected to firm regulations, adherence to which will be fully guaranteed by the state."

In response to a question as to whether being raised on securities will not lead to transforming "cold" money into "hot" money and thus inflation, Professor Kyn responded: "Empirical research of the conduct of consumers in the United States and elsewhere in the world has shown that the average consumer devotes approximately 6 percent of any one-time income derived unexpectedly (lottery winnings, inheritance) to current expenditures (poorer individuals spend more, richer individuals less) and that the consumer deposits the remainder or invests it. Perhaps here, in Czechoslovakia, the share of consumption will be greater—let us say, 10 percent—but definitely not more. If the state prohibits the trading of securities, it will achieve nothing other than that it will significantly embitter these citizens who



will find out that they made a bad selection and would like to transfer their securities elsewhere. At that, the way out is quite easy: Facilitate trading in securities immediately following the conclusion of the first wave of coupon privatization and leave regulation to the tax area."

#### The Capital Gains Tax

"This is a tax which, for the time being, is not even being considered in the proposed Czechoslovak taxing system, but which is quite common in the West; in the United States, it is called the capital gains tax. It taxes monetary income which results, in the case of the sale of property (real estate, securities, bonds), from the change in the market price of the property. Thus, coupon securities would be tradable under the following conditions from the very beginning: If a stockholder were to reinvest any funds acquired over a short period of several weeks into the securities of another fund or enterprise, he would have to pay nothing. If no reinvestment took place, he would pay a high one-time tax, say, of 75 percent. Such a tax is absolutely not unfair: After all, coupon privatization is here because the state is entrusting property into the hands of responsible citizens and does not represent any kind of vouchers for free beer.

"Such high taxes would be paid only temporarily and would have a doubly beneficial effect, particularly during the transition period. Primarily because it would facilitate the free movement of capital between individual funds and stock corporations (reinvested money is not subject to tax), it will create a competitive environment and, thus, result in an effective control of the management of funds and stock corporations, such as no state official, no matter how enlightened, is capable of assuring.

"Moreover, this tax would unquestionably retard the assertion of claims involving the 'certainty of a tenfold increase' and will thus protect funds which had promised too much against the consequences of their recklessness. It is true that the government did not undertake to guarantee their promises, but it would be absolutely politically untenable for the beginning of the capital market to be accompanied by a chain reaction of bankruptcies."

#### The Number of Rounds and the Distribution of Securities

"Of course, first coupon privatization must be accomplished," stressed Docent Michal Mejstrik of the CERGE, "it will therefore be necessary to solve a number of additional intricacies. It is necessary to know how prices will be modified following the conclusion of individual rounds in dependency on the excess of supply or demand. Moreover, it has thus far not been established and published what the criterion will be for terminating the iteration of the first wave. Precise knowledge of this is very important for a correct selection of an investment strategy. The most suitable criterion will obviously be to determine ahead of time the firm number of rounds (four or five) and to then stipulate the

prices of securities in the final round in such a way as to precisely balance supply and demand. However, this will require the division of securities.

"This is connected with the problem of enterprises whose securities will be of extraordinary interest. According to current rules, it is not possible to sell securities whose price exceeds 1,000 points—such an enterprise will clearly be eliminated from coupon privatization or can be purchased only by an IPF. This is unfair to the holders of investment coupon booklets: Why should they be punished for having extraordinary interest in one or another enterprise? The solution would again be a division of securities.

"The success of coupon privatization depends on the establishment of fundamental and firm rules. It is possible to comprehend that the government did not expect such a number of IPF's to develop—of course, there should have been a law and specific implementing decrees, even if only a single fund had developed."

#### Role of Government in Transition Period

Detailed questions with regard to the implementation of coupon privatization have, thus, pointed to a more serious problem: the function of the state in the economy. In principle, it holds true that, in a market economy, the state merely establishes "general rules of traffic operation" and it is up to the individual participants where or whether they will travel. This is one thing those participating in the discussion in the GOLEM Club were agreed upon—of course, former Deputy Michael Kocab immediately drew attention to the fact that the "state" cannot be perceived as a singular entity: The government is one thing and the parliament is something else, particularly where in this country there is a situation which is obscure, where every adopted law is equal to a small miracle. The trade unionists who were present from the KOVO Association expressed their view that only a healthy, well-functioning economy can permanently provide social security (we published the views of the KOVO Trade Union Association in EKONOM, No. 6). During the current period, when our economic and political systems continue to have a post-totalitarian character, a well-thought-out, purposeful economic policy is an absolute necessity. If the government is afraid of a social explosion, it should become aware that this can only happen as a consequence of overly rapid progress, but also—in the event progress is exceedingly slow—as a consequence of disillusionment in the knowledge that sacrifices made hitherto were unnecessary.

#### Small Enterprise Privatization Discussed

92CH0367C Prague HOSPODARSKE NOVINY  
in Czech 13 Feb 92 p 9

[Article by Jana Kricnerova: "There are No Small Enterprises"]

[Text] I believe that it is apt to use the above paraphrasing of the saying "there are no small parts" in connection with the approval of the privatization plans of so-called small and medium-size enterprises.

The "grey area" made up of enterprises which are not managed by the branch ministries (their founder is the okres office) is repeatedly forgotten, enterprises which are neither so small that they could be considered fertile ground for business nor so large that they would catch the minister's eye, enterprises that are not profitable enough for a local millionaire (not to mention foreign capital) to be interested in them yet are neither loss-producing nor so indebted that they should be discontinued; in short, enterprises that are neither fish nor fowl.

On several occasions, various responsible or nonresponsible employees have voiced statements in the media in which the local economy has been confused with local construction and assets with initial capitalization, in which, without further proof, the trusting reader has been asked to believe that it is crystal clear that an enterprise of one size or another is absolutely suitable, or totally unsuitable, for one kind of privatization or another.

I doubt that we can afford to pass over the large number of these medium-sized enterprises, which in local construction alone add up to around one hundred companies with a total initial capitalization of several billions, and that pay non-negligible sums into the state budget as taxes at a time when many large enterprises are merely begging for money, private individuals are demanding tax exemptions, and the expense items in the budget are the subject of major arguments.

The privatization process has become more complex, which is natural, employees are confused and tired of the incessant doubts about the future of a company, and frequently they choose to leave giving as a reason that "their nerves simply cannot take it." The rate of business activities is slowing down, and the period of what Vaclav Klaus called the "preprivatization death throes" is being extended.

Perhaps in order to elucidate some of the issues that are confused, in order for the citizens to get some idea of how thousands of projects can be dealt with in a matter of weeks in Lnare, Minister T. Jezek provided some comprehensible and clear information on the procedure through which each project must pass in an article entitled "The Route the Projects Follow" in the HN [HOSPODARSKE NOVINY] on 22 January 1992. It mentions founding ministries, branch privatization commissions, it is clear, simple and soothing.

Unfortunately, it does not soothe me. We are an okres construction enterprise. Instead of a ministry that controls experts in construction, our founder is the okres office, controlled by a chief whose head is spinning from all kinds of regional problems, and who has neither the means nor the

time to surround himself with experts on privatization or experts in the relevant branches.

Instead of a branch privatization commission, which should be above the issues and—using specialized knowledge about the conditions in the branches—should listen to all individuals who submit plans without prejudice and then choose the most promising, we have an okres privatization commission, which designed one of the competing plans and thus is hardly likely to be unprejudiced when judging the issue.

Considering the number of plans and the short deadline, there is no choice but to rely on the opinions of workers who admittedly at least know where the given enterprise is located but have no indicators to go by or the ability to make a qualified evaluation of a suitable privatization method.

From comments made by various "initiated individuals" I get the impression that somehow one has forgotten too quickly that the average citizen is hardly able to save a single million from his monthly pay, and yet enterprises with initial capitalization of tens of millions are indiscriminately considered to be the typical enterprises suitable for auctions. It has been forgotten that this was the reason why we started the world-wide coupon experiment, because we acknowledged that hardly anyone owns anything. I was shocked when we were implementing the coupon privatization in our own enterprise and the advocates of auctions were trying to persuade us—"okay, then, band together and buy it!" I repeat—for an impoverished nation (and there is no question that that is what we are) no enterprise is too small.

I would like someone to explain to me what the modification of the procedure described in the article in the HN on 22 January will be in relation to enterprises with 300 to 500 employees whose founder is the okres office (and please do not confuse a construction enterprise with an upholsterer).

By 30 November 1991 we had all submitted our basic plans and were waiting to hear something from someone—"you omitted this, you made an error here, what if you tried to do it this way..." but, so far, not a word. November, December, the first part of January... not a word. I presume that during this entire period other enterprises were in contact with their ministries, which worked with them and, during this time, the plans were completed and perfected. Maybe no one even read our plan (I doubt that it is so perfect, or so idiotic that nothing can be added to it).

Whenever I try to call to find out what is going to happen to our plan, I naturally cannot get through. Probably many others also want to find out the same thing. And so I trying to find out this way. Maybe someone will answer and will simultaneously answer a large number of other people who would like to know. Too often in the past we were used as the yardstick for "those that can be ignored," we were filed away under the title "others" so that our minds could be put at ease and we could believe that we would be considered with the same amount of attention as those who work at Skoda.

### Fur Responds to Interpellation on 'Extremism'

92CH0387A Budapest MAGYAR FORUM  
in Hungarian 20 Feb 92 p 14

[Text of interpellation in parliament by Gyorgy Gado, representative of the Alliance of Free Democrats, and the reply of Lajos Fur, minister of defense: "The Gado Offensive; Charge and Rebuttal"—first paragraph is MAGYAR FORUM introduction]

[Text] SZDSZ [Alliance of Free Democrats] parliamentary representative Gyorgy Gado has once again lashed out at Hungarian domestic political life for allowing, what he calls, the proliferation of right-wing and even extreme right-wing phenomena. In his interpellation delivered on 11 February, the politician also assailed the government: "What is behind this tolerance toward the far right?" he posed the rhetorical question, openly implying that he expected to get an official response in which the government, Hungary's official leadership, would promise to distance itself from politicians, representatives, and press organs (ours among them), who and which—according to him—advocate right-wing and extreme right-wing political ideals. The presiding Vince Voros had tried to keep the lengthy interpellation within the constitutional time limits for as long as possible, without success. Finally, representative Gado agreed to read off the six points that specifically constituted the theme of his interpellation. But by that time he had succeeded in thoroughly condemning a large segment of Hungarian society as being a "fascist," "semifascist," "extreme right-wing," "anti-Semitic," and the like. From his speech, which was teeming with insults and verbal attacks, we are only publishing his incriminating six points, together with Defense Minister's Lajos Fur's rebuttal to the interpellation.

#### The Gado Questions

1. What does the government, or specifically the National Security Office, intend to do in order to expose extremist political organizations?
2. Do they consider it feasible to employ the methods used by the German Office for the Protection of the Constitution, designed to keep tabs on the activities of extremist political groups and organizations, their membership and ties, even when they operate legally and publish regular reports about their operations?
3. Is it necessary and feasible, in the opinion of the government, not to wait until the Constitutional Court decides whether or not the clause in the Criminal Code concerning offenses against the community is constitutional, and adhere to that provision in administering justice?
4. In the unexpected and undesirable event that this provision is declared null and void by the Constitutional Court, how does the government intend to enforce the

provisions of the Paris Peace Treaty and other international accords on civil and political rights outlawing the fostering of racial hatred and instigation?

5. Does it consider it politically and morally necessary to condemn supporters of the government—representatives, city fathers, party officials, newspaper editors, and others—whose writings, speeches, or indirect involvement have helped to promote the propagation of racist, anti-Semitic, and chauvinistic manifestations?

6. Are the prime minister and the government prepared to take an unequivocal public stand in support of the Hungarian antifascist movement, acknowledging its patriotic achievements, and at the same time condemning the aggressive war waged by the Horthy government and military on the side of Hitler?

#### Lajos Fur's Rebuttal

The prime minister had originally asked the minister of interior—the official most qualified and competent to respond to these questions—to respond. His rebuttal was ready to be delivered last week already, the time when the interpellation was supposed to have been presented. Due to a lack of time the interpellation was delayed until today. Since Minister Baross is on official travel abroad, I will present the rebuttal on his behalf and in the name of the government:

Mr. President, Honored Parliament,

Representative Gyorgy Gado's interpellation has presented me with a considerable dilemma. It is always difficult to give a rebuttal having to reflect on statements that in terms of genre do not fall within the topical parameters of the interpellation.

Much of what has been said is a reflection of subjective prejudice, exaggerated stereotyping, and arbitrary characterization. For what is the Gentleman asserting here? He is denouncing as ideologically extreme right-wing practically every newspaper that is not oppositionist in tone. He is identifying by name individuals who he claims used, or still use, expressions associated with racial and other types of discrimination. He offers generalizations to support most of his allegations. Moreover, these allegations have been made here, on this floor, with the entire country listening, so it is important to make it clear that anyone trying to form an opinion about our general state of affairs on the basis of this interpellation would be left with a distorted, radical and false impression that is in direct contrast with reality.

#### Disturbing Tone

The Gentleman speaks of right-wing extremist dangers, anti-Semitism, xenophobia, and other such things. He blames the government and the atmosphere created by the government coalition for all of this. It is most disturbing to the government to know that while it is working hard to ensure a persecution-free, secure life for all of its citizens, others may be—or actually are—

working toward the opposite end by stirring up emotions. I can just picture the elderly survivor of the hell of the Holocaust, jolted by the interpellation from a peaceful evening in front of his television at home, beginning to shudder first with fear, then with terror.

In the consciousness of many, the traces of the difficult ordeals that people, groups of people, and entire nations have been forced to undergo over the past half a century are still permanently imprinted. Ensuring the conditions of putting their minds at ease is the duty of every responsible politician aspiring to enter into public life. Fully empathizing with him for the personal hardships he has endured, I would suggest that this is a duty of which the Honorable Gentleman should be strongly reminded.

What is this world coming to? A Jewish cemetery ransacked in California; young thugs toting Nazi regalia on the streets; anti-Semitic posters sent to Gyor. Endless insults hurled at people of different color in the eastern part of Germany. Even from the epitome of welcome and tolerance, Sweden, we are now getting reports of atrocities. But I could just as well include France and others.

Has there ever been an attempt in any of the democratic European parliaments to blame the government, not to mention the government coalition, for promoting such phenomena, or to allege that its policies encourage this kind of behavior? I do not believe, Honored Members, that the cropping up of right-wing extremist graffiti on our walls is sufficient justification anywhere in the world for pointing fingers to the government in the name of free speech and democracy. These symbols can be removed as soon as they are discovered, the perpetrators should be reeducated, and the job of the authorities in all of this is to ensure that public order and safety are not threatened by extremist political—and not just plain political—institutions. This is precisely what we are doing.

#### **Deliberate Misinterpretation**

Speaking before parliament about six months ago, the prime minister denounced all shades and every manifestation of political extremism. Since then other members of the government have also repeatedly addressed this issue on a number of occasions. It takes particularly strong feelings of prejudice for someone to ignore or refuse to recognize this fact.

The Gentleman has even included the prime minister's recent speech at the Museum of Military History among his list of negative examples. Since the entire text of that speech has been published and the prime Minister himself has spoken before parliament, I think that what we have here are preconceptions and deliberate misinterpretations on your part, and on the part of others. No one holding such views deserves to be regarded as a well-intentioned debate partner.

The Gentleman also talks about an alleged shift in Hungarian policies toward the right which, in his opinion, has helped to lend weight to right-wing extremist manifestations. I am not sure what he means by a shift toward the right. I would simply respond by saying that the Hungarian public has spent a long and difficult historical period learning about the dangers entailed in shifting either toward the left or the right. At the same time, it is worth pointing out that shifts toward the extreme right or the left in Hungary have always coincided with the emergence of domestic traitors, brought to prominence under great power pressure and foreign occupation.

Today the Hungarian people are in charge of their own destiny. Our government agencies are functioning properly, and we have no reason to expect extremist and anticonstitutional tendencies to ever achieve positions of prominence. The government guarantees this because it has pledged with sincerity and honesty to safeguard our democratic liberties.

The interpellator has also made references to a book entitled *Csendorsors [Fate of the Gendarme]*, and the mini-Fuhrer of Gyor, Aron Monus. As far as these cases are concerned the authorities have already taken appropriate steps in response to complaints from the public and on their own. The fact that in his interpellation he assigns roles to the government that are actually within the purview of prosecutors, the courts and even the Constitutional Court, leads me to recommend that the Gentleman thoroughly review our Constitution, with particular attention to the democratic principle called the separation of powers among the branches of government.

#### **"We Act in Accordance With the Rules of Our Democracy"**

The following is my response to the questions summed up in the Gentleman's six points:

1. Both the National Security Office and the police intend to follow closely, expose, and using every legal means at their disposal eliminate all extremist political organizations.
2. We do not plan to adopt the methods employed by the German Office for the Protection of the Constitution, which you purport to be familiar with, but at the same time we can assure you that no group posing a potential threat escapes the attention of the government.
3. The government cannot, nor does it intend to, exert influence on the courts, nor can it interfere in pending legal cases. It intends to fully adhere to the rulings of the Constitutional Court, and in the meantime it is committed not to allow anyone to overstep the bounds of our legal order in dealing with any group of people.
4. The Gentleman has suggested that the Constitutional Court has somehow ignored the provisions of international accords and the peace treaty. This is a dangerous

notion as it casts doubt over the competence of the Constitutional Court to interpret our own statutes. If we accepted this notion that would shatter people's faith in our democratic legal system. Should it be deemed necessary, the government needs to follow up on the decision of the Constitutional Court and determine whether or not it has resulted in new legislative commitments.

5. All anti-Semitic, chauvinistic, and racist manifestations must be condemned, if necessary by name. Also to be condemned are all other extremist manifestations that impact on the lives of individuals and groups. People advocating such views are not tolerated as allies of the government, hence the blanket charges you have levelled against both the individual government parties and the government coalition are invalid and are hard to explain even on the grounds of extreme political prejudice.

6. The government is firmly committed to supporting the cause of the antifascist resistance. I believe that this is also clearly evidenced by our draft proposals.

It will not, however, stand behind anyone who capitalizing on his alleged or real role in the resistance served a regime which over 40 years has economically and morally bankrupted our country, causing this nation endless suffering.

He also asks whether or not we condemn the war that had been fought by the Horthy army on the side of Hitler. We condemn all wars waged for evil objectives. We condemn everyone who acts against the interests of his nation in the service of a foreign great power. We do, however, distinguish between the common soldier and the regime, and carefully weigh the political and governing circumstances under which the decisions had been made. We draw a distinction between involuntary tactical steps aimed at saving the country, and unquestioning subservience to a foreign power, including the inviting of foreign troops.

Honorable Sir, fully cognizant of your personal sufferings and grievances, I must ask you again: Is it justifiable in this country, in this parliament today, to raise this issue in the manner you have chosen to present it? In my opinion neither our external conditions nor our domestic interests warrant this kind of attitude. Incidentally, currently we have six separate court cases pending against groups that may be characterized as racist. I kindly ask, in light of the above, that you accept my rebuttal.

Gyorgy Gado did not accept the defense minister's rebuttal.

Parliament, however, did.

**Role of Catholics in Political Parties Discussed**

92EP0259A Warsaw WPROST in Polish  
No 8, 23 Feb 92 pp 56-57

[Article by Andrzej Micewski: "Political Catholics"]

[Text] Being a faith community, the Polish church represents a powerful social force. It came into this position as the result of the national role it played during the partitions, as well as in the times of communist dictatorship.

On the other hand, the Christian Democrats' influence is not apparently great. During the recent elections, two groups claimed to be in that camp, the Christian Democratic Party and a union of three groups calling themselves "Christian Democrats." Both of these groups gained only a few deputies' seats, which is surprising, because we are living in a Catholic country, but Catholics turned out to be in nearly all the Polish parties.

Poland has won its freedom twice during the 20th century, in 1918 and in 1989, and in both instances the successful parties were not Christian Democratic groups but those that contributed directly to gaining independence. During the Second Republic, a decisive role was played by Pilsudski's freedom camp, which symbolized the armed struggle for the country's freedom, and Dmowski's national camp, which symbolized the diplomatic struggle that led to Poland's recognition by the victorious powers during World War I. The Christian Democrats carried their greatest electoral victory in December 1922, when they won 44 seats in the Sejm, but this was only 10 percent of the total number of deputies. Now the Christian Democrats (in the precise meaning of the term) have no more than symbolic representation in the Sejm.

Catholics are also in influential parties that are successors to Solidarity, but their situation is rather complicated. The Democratic Union [UD] is pluralistic in its world outlook, which may be one of the reasons for its possible breakdown. After a certain time, the Central Accord [PC] announced itself to be a Christian Democratic party, although there are differences there too, but these differences are related more to ongoing politics than to any Christian interpretation of the social sciences. The strongest group of Catholics is the Christian National Union [ZChN], which has distinguishable alternatives, Christian national and Christian social. Like the PC, the ZChN is definitely a right-wing party, even though the church's social teaching is permeated by the principle of the priority of labor over property. The Polish Peasant Party [PSL], the strongest peasant group in Poland, also has Christian roots. Such differences in the positions of "political Catholics" create a good deal of confusion among the faithful. Some of them keep their distance from politics, considering politics to be morally questionable. Others would like to see the Christian social forces consolidate, but in this case too, it is possible to find a variety of orientations, because it is possible to conjure up several sorts of integration. The consolidation could take the ZChN, PC, or even PSL as

the center. In the first instance, the factor that would create doubts would be the national democratic tendencies among some ZChN activists. In the second, there would be doubts about the pragmatic nature of the PC, which has little connection to any system of values. In the third case, there would be doubts about the PSL's agrarianist, peasant-class aspect. Any union of the Christian Democratic forces in Poland therefore appears remote.

There has been some talk recently about an alliance, but not a union, of the PC and the small PSL-"S" [Polish Peasant Party-"Solidarity"], but such a union could not have any major influence over the course of parliamentary work in Poland. Of far greater significance are the intense but secret talks which representatives of the PC and the UD are holding, doubtless with the objective of expanding the government coalition and further minimizing President Walesa's influence. The president's unexpected proposals concerning Tadeusz Mazowiecki were a reaction to the talks.

I am not an advocate of any rapid mechanical attempt to form alliances or bring about a fusion of Catholic groups, especially when not much work has been done on the platform or ideological tenets, because I think that Catholics should take seriously the instructions of the social encyclicals and all the pope's teaching on social issues, which make up an integral part of the church's magisterium. Meanwhile, the German Christian Democratic Union is the model in our country. That party is decidedly right-wing, which makes it very different from the Italian "Democrazia Cristiana," a more leftist party and one that, at any rate, is more inclined to enter into a coalition with the social democrats or even into agreements with the socialists. The Italian Christian Democrats are far closer than the German ones to the postulates of the pope's social encyclicals saying that labor should have priority over property.

I am well aware that in the wake of the communist period, the right wing is still legitimately fashionable in Poland to a certain extent and there is still an allergic reaction to leftist tendencies. It also seems to me that people with liberal economic views are more necessary in building a market economy, but the ever increasing manifestations of public dissatisfaction, strikes, and demonstrations by the people paying the highest price for the transition from socialism to capitalism demand that we attach greater significance to social considerations, which are very closely related to the social teaching of the church. Because of its intellectual authority, the Catholic wing of the Democratic Union, although it has divorced itself from the name "Christian Democrats," has a great role to play in emphasizing the principles of social justice. At the moment, Jacek Kuron, who is not a Catholic, is the UD politician with the greatest commitment to social issues. This is somewhat surprising. Practical politics and parliamentary work, which are often independent of the intent of the people, become very cut off from their own systems of values,

but I think that serious, long-range reflection on the Christian social movement in Poland should take the existence of the Christian wings in the UD and the PC into its picture of Polish political geography, because Solidarity roots are no longer a determining factor.

On the other hand, the time for real elections between a liberal, Christian Democratic and Social Democratic orientation is approaching. The more normal our society is in terms of the supremacy of a market system over a command system, the more the old divisions into left, right, and center will take on new significance. This significance has declined in the general national struggle against totalitarianism and during the first stages of building an open, civil society. Advanced market reforms are restoring the classical ideological divisions that exist all over the civilized, developed world. This means that they cannot bypass Poland either.

The historical Polish Christian Democrats have to some extent been a central group between the nationalistic right wing and the declared social left wing. The Labor Party came into being in 1937 as the result of a union of the Christian Democrats and the National Labor Party. It was decidedly centrist in terms of the two major movements of the two decades between the war, when the Pilsudski group imposed a relatively mild dictatorship and the nationalists became radicalized after May 1926. This group could not develop further before the war, and after the blows it took at the hands of the communists, it had a hard time finding itself, but I am not talking about a concrete political party, only certain important traditions. Jerzy Giedroyc recently said, very flexibly, that Poland should be governed neither by coffins nor by a Pilsudski nor by a Dmowski, but I fear that it is just these coffins that are dividing groups of political Catholics.

Politically involved Catholics in Poland willingly acknowledge the provisions of the Second Vatican Council, personalism, a balance between themselves and community in society, ecumenism, and finally all the religious content of Vatican II and the papal documents resulting from it, but there are differences between Catholics, and sometimes these differences seem irreconcilable.

Catholics are still divided over the independence tradition and the nationalist tradition, although both of these directions have contributed to the creation of an independent Polish state. Nonetheless, there have been great differences between the philosophies of the independence camp and the nationalist camp, differences which proved to outlive the war and the Polish People's Republic. The independence camp had revolutionary and socialist roots. Later it attracted most of the liberal intellectuals. It was also against anti-Semitism. Although May 1926 made Pilsudski a dictator, nonetheless his followers allowed themselves to imagine that this was something temporary that would end in a gradual transition to liberal political democracy. They liked to repeat the well-known phrase: "Anyone who was not a socialist

in his youth will be a swine in his old age." So, paradoxically, the camp exercising dictatorship appealed to liberal and leftist traditions. Meanwhile, the traditions of the national branch were decidedly right-wing, and the national branch backed Roman Dmowski on nationalist and anti-Semitic grounds. He was the enemy of any sort of national minority, in the idea of an ethnically homogeneous national state. Although our nationalists today, at least those in the ZChN, are far from aggressive nationalism and close instead to the tradition of what is called "the professorial group" in the national democrats or the Peasant National Union, their nationalist approach is nonetheless a thorn in the side of the liberal elite.

The nationalists are irritated by the liberal camp's ostentatious "Europeanness," because in it they sense disapproval of any nationalist approach, not just radical ones.

Among the intellectual elites in Polish Catholicism and among the so-called political Catholics there have remained disputes and divisions that should have been overcome long ago, but, unfortunately, this has not happened. For this reason there is still a psychological gulf between people who agree on many basic issues, people linked by common religious ties, the most important thing. Whether the Catholic world will play a greater role in the life of Polish society and in Polish politics than now or during the two decades between the wars will depend to a great extent on overcoming these differences and divisions. A compromise is difficult in the dispute over freedom and nationalist traditions, but it is possible to get rid of the political baggage of the past and to develop a common system of values. The disputes from between the wars concerning the past are an anachronism today.

### Church's Argument in Favor of State Religion

92EP0259B Warsaw PRZEGLAD KATOLICKI  
in Polish No 4, 23 Feb 92 p 12

[Article by Reverend Jozef Krukowski: "The Church Versus the Democratic State"]

[Excerpts] [passage omitted] Above all, we must realize that church-state relations are handled in two planes in the legislation of modern states. That is, institutional relations and interstate relations. [passage omitted]

According to history, we must therefore say, that the constitutional model of the separation of church and state that remains in the constitution of the Polish People's Republic is a Soviet model, despite the fact that it has been modified many times. This separation has placed the state in a hostile position against religion and the church. On the basis of this principle, communist leaders used Stalinist caesaro-papist methods to wage a policy aimed at imposing a Marxist-Leninist version of ideological monism on the whole society. An attempt was made to subordinate the whole educational system to communist ideology, including materialism and atheism at the same time. The regulation of relations

with the Catholic Church through an international convention with the Apostolic See and so on was rejected. Because of the very negative content of this interpretation of the separation of church and state, in its documents on the axiological foundations for a new constitution, the Polish Conference of Bishops came out against the inclusion of this principle in the Constitution of the Republic of Poland. The Senate Constitution Commission took the same position in the draft it published in April 1991.

At the same time, it must be noted that some drafts of the Constitution of the Republic of Poland announced in 1990-91 again call for including the concept of "separation of church and state." The draft prepared by Warsaw University lawyers under the direction of Prof. S. Zawadzki, the SD [Democratic Party] and PSL [Polish Peasant Party] party drafts, the first version of the Sejm Constitution Committee, and the electoral platform of the Alliance of the Democratic Left all take the same position. On the basis of this proposal, we can infer the sort of ideological foundation they have and make some deductions about their program for the future. Democratic European countries, which until recently formed a block separate from the totalitarian communist states, approach the relationship to the church in various ways. They traditionally fall into one of two groups, according to the way these institutional relations are laid out: countries with an established religion and secular countries. Because the changes in regime in Poland are helping to build a democratic system, there are two possibilities: It can be a democratic state with an established religion or a democratic secular state. [passage omitted]

### **Senate Commission Evaluates Cooperation With FRG**

*92EP0263A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 22-23 Feb 92 p 1*

[Article by Ewa Zychowicz: "Capital Will Not Flow In by Itself"]

[Text] The lack of money to fulfill obligations, the political instability in our country, the unclear division of jurisdiction as to decisionmaking, and the ban on buying land and real estate by foreigners—these are the main obstacles to the efficient application of the Polish-German treaty on good neighborliness and friendly cooperation. They also complicate the development of direct economic cooperation between enterprises and impede the flow of German capital into Poland.

Those are the conclusions drawn by the members of the Senate Foreign Affairs Commission after Friday's meeting with members of the government, a meeting which was devoted to the past accomplishments of both parties to the treaty.

As figures from the World Economy Department of the Central Planning Commission (CUP) show, Poland's share in trade turnovers with Germany in 1991

amounted to about 1 percent. Poland, on the other hand, recorded a 44-percent increase in export to that country, which puts it in second place after CIS [Commonwealth of Independent States] in the list of exporters from postcommunist countries. The value of Polish export to FRG last year was \$4 billion 172 million, while the value of import was \$3 billion 633 million. Compared with 1990, our turnovers with Germany grew 82.2 percent, export grew 43 percent, and import grew as much as 165.8 percent. The commodity balance sheet for Poland at the end of the year turned out to be favorable and amounted to \$539 million.

Market import made up only 15-20 percent of our total import from FRG; however, 60-65 percent of deliveries were imports of producer goods, including products from the electrical machinery industry—45.6 percent, and chemical industry—16 percent. Import for investment purposes constituted 20 percent of deliveries.

In export from Poland to FRG the share of products from the electrical machinery industry was 22 percent, metallurgical products—18.9 percent, construction—9.3 percent, wood-paper pulp—8.9 percent, and food industry—8.9 percent. Agricultural products valued at \$146 million constituted only 3.5 percent of the entire import [as published] to FRG.

As Andrzej Voigt from the Information and Negotiation Center of the Ministry of Ownership Transformations said, in past years over 1,500 permits were issued to establish Polish-German joint venture companies, with an initial capital amounting to over \$161 million. Polish capital committed in these companies totaled \$98 million. Last year there was a distinct drop in the number of companies established. Only 132 were formed.

The generally small amount of foreign capital invested in Poland, approximately \$700 million, is a disturbing phenomenon. For comparison, there is \$11 billion of foreign capital present in Spain. Minister Jacek Saryusz-Wolski, government representative for European integration and economic assistance at the Council of Ministers, told the members of the commission that the Germans, in conformity with Article 8 of the treaty, look favorably on the prospects of Poland joining the EEC, but they attach certain conditions to their position. The primary requirements are that our country limit inflation to 3-4 percent annually and reduce the budget deficit to 3 percent of the national income. The overcoming of various more or less valid biases on the part of the Germans plays an important role in our mutual relations. The main problems are population migration and the competition of farm articles on the market.

Minister Marcin Rybicki from the CUP described the status of the work of the Intergovernmental Commission on Regional and Border Cooperation, which has been functioning for over six months. The principle task of this commission is to promote contacts between economic organizations on both sides of the border and among regions. Working groups have already been



formed to implement concrete ideas, primarily of an investment nature. The first plans deal with transportation, land-use management and environmental protection. As of this date we have recorded approximately 100 concrete initiatives on the part of the voivodes. Lack of money blocks the speedy implementation of all of these undertakings. The so-called Stolpe Plan, named after the minister-president of Baden-Wirtemberg who envisaged the creation of a joint economic region, has not yet been approved by the federal government; nevertheless, talks and negotiations in this matter are underway.

### Trade Restoration With Armenia Noted

#### Armenian Interests, Needs

92EP0288A Warsaw RYNKI ZAGRANICZNE in Polish No 23, 22 Feb 92 p 1

[Article by (JZ): "Polish-Armenian Ties Reviving"]

[Text] The collapse of the Soviet Union has stimulated in discrete republics interest in a more active development of foreign contacts on their own. One such initiative for closer cooperation has been jointly undertaken by Poland and Armenia. In the past both countries had maintained close economic contacts, and the Armenian minority in Poland benefited from broad cultural, economic, and religious liberties.

Now Armenia is rapidly turning into a country with a market economy. Privatization of industry has been announced, and 80 percent of farms are now of the family farm kind. For the most part they are not more than five hectares in size.

Armenia at present is trying to achieve in the Transcaucasus a financial position similar to that which used to be held by Lebanon in the Middle East. It also intends to tighten its ties with Europe. According to comments by major Armenian representatives, that country is interested in establishing in Poland an outpost for its business interests in Central Europe.

For the time being, however, Armenia is struggling against the difficulties ensuing from the deep crisis in which all the countries of the former Soviet Union are plunged. Generated national income fell last year by 11 percent, and food output was 29 percent lower. That also is why the import demand in that country is chiefly focused on foodstuffs.

Closer analysis of the possibilities for cooperation as well as the development of current mutual trade should be promoted by the visit of an Armenian Government delegation to Poland. The delegation is headed by First Deputy Prime Minister Grant Bagratian. A Polish-Armenian trade agreement will be signed.

The Armenian side is chiefly interested in foodstuffs such as grain, butter, milk, and meat. Armenia's own range of agricultural and food export commodities offered comprises, in addition to the wines and cognacs

already known on the Polish market, peaches, and apricots. Possibilities for cooperation in fruit processing and storage, and especially in fruit drying, are arising. The Armenians also are looking for partners to cooperate in the production of spirituous beverages.

Other commodities that Armenia can export are nonferrous metals—copper and molybdenum.

The conditions of, and possibilities for, mutual trade should be determined more closely at the planned meeting between the Armenian delegation and Polish businessmen. On the Polish side, among other enterprises, Hortex, Impexmetal, Elektrim, Istrpol, CIECH, and Patex have already expressed interest.

*Note: Last year we had imported commodities worth 906 million zlotys from Armenia. Statistics on Polish exports are not available.*

#### Details of Trade Agreement

92EP0288B Warsaw RYNKI ZAGRANICZNE in Polish No 24, 25 Feb 92 p 1

[Article by (G.K.): "Polish-Armenian Trade Agreement Signed"]

[Text] On 24 February a Polish-Armenian trade agreement was signed.

The agreement stresses that both countries will promote cooperation, especially in the construction materials industry, agriculture, trade, finance, banking, tourism, and public health. Under the agreement, the cooperation will be accomplished by, among other things:

- Exchanges of trade and technology representatives;
- Formation of joint ventures;
- Conduct of joint research;
- Organization of consulting services;
- Organization of fairs and exhibitions.

All settlements and payments between both countries will be in convertible currencies. Considering, however, that our partner may have difficulties with cash settlements, barter trade also is envisaged. The prices of the goods and services provided and the delivery terms will be specified in contracts. Details will be agreed upon in separate understandings between banks as well as between economic entities.

The Armenian delegation, headed by Minister of Economy Grant Bagratian, will also have the opportunity to meet with Polish businessmen.

**Swedish Executive on Business, Competition**

92EP0263C Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
26 Feb 92 p IV

[Interview with Gauoran Lundberg, vice president of ABB, a Swedish-Swiss electrical engineering firm, by Danuta Walewska and Piotr Rudzki; place and date not given: "I Advise You To Invest in Poland"]

[Text] [RZECZPOSPOLITA] When ABB decided three years ago to invest in Poland, what were its principle fears?

[Lundberg] I was afraid of the same thing that all investors are afraid of—will it be possible to achieve political stability, a stable currency, and will inflation be high. My fears, therefore, pertained to internal political conditions. But we also had doubts as to the firms in which we wanted to invest our money, whether capital productivity and people would be able to adapt to the competitiveness of the Western world. I believed that this was possible. Finally, we asked ourselves the following questions: Can we provide effective training to those people who have to deal with the language barrier? No one in my firm spoke Polish, and not many Poles, when I came here, spoke English. Therefore, we tried to communicate in various ways. We also had great doubts concerning cultural barriers, whether we will be able to overcome them or will we cause some kind of problems.

Today I can say that I am completely satisfied with the direction in which political changes in Poland are going. I also perceive a strong commitment in attempts to control inflation, which is very important to an investor. Therefore, I am an optimist. Capital productivity and work organization are two fields which do not create any problems. We have been successful in reorganizing Zamech and Dolmel. Today these are very good factories doing reliable work which meets world standards.

[RZECZPOSPOLITA] If you had to advise a large firm now on whether it should invest in Poland, what good and bad points of our country would you name?

[Lundberg] I can say with pleasure that almost every day I advise people to invest in Poland. I do so with conviction because we ourselves have been successful with both Zamech and Dolmel. Both factories are profitable and are beneficial to the Polish economy. They have provided Poland over \$100 million from the export of their products. I am now holding talks with the managements of these factories on the subject of new investments on the order of \$40-50 million over the next few years. They will increase our export capability by \$200 million annually.

[RZECZPOSPOLITA] To what degree did investments change Zamech and Dolmel?

[Lundberg] We applied the highest world technologies in these plants in the production of gas turbines, the latest

technologies for the production of steam turbines, electric generators, and technologies for pollution control, which is extremely important for Poland. Both factories now have many different kinds of products which they can offer to their customers in Poland. Enormous internal changes have been made in both plants. Both the management and the employees had to learn a great deal to form the crews which can achieve success. The success of both firms was due to them alone.

[RZECZPOSPOLITA] How did the employee earnings in both plants grow?

[Lundberg] We observe the development of the Polish economy and adjust earnings on a current basis. I do not remember the exact percentage amount.

There has been a great change in attitudes because our wage system is closely tied to the results of the work and its productivity.

[RZECZPOSPOLITA] Almost two years ago one of the high representatives of ABB told RZECZPOSPOLITA that ABB and Elektrim competed several times on foreign markets, e.g., in India. Now, after taking over 10 percent of the shares in Elektrim, ABB has become one of the largest foreign investors in this Polish enterprise. What was the reason for the decision to buy shares?

[Lundberg] Traditionally Zamech and Dolmel worked closely with Elektrim. Today both of these plants are shareholders in Elektrim. We came to the conclusion that cooperation with this firm, even in the future, is a very positive thing because it enables us to export from Poland, and ABB cannot do this alone. This, therefore, is the plane of collaboration.

[RZECZPOSPOLITA] And could it not have been a case of ABB saying: Since we cannot beat Elektrim, we had better join them?

[Lundberg] Relations between us have always been good. We competed with each other in various ventures, but this is nothing unusual. This is normal economic practice.

[RZECZPOSPOLITA] Do you believe that this investment will also change Elektrim?

[Lundberg] I think that Elektrim and ABB will adapt their internal organizations so as to make cooperation simpler. No more than that.

[RZECZPOSPOLITA] What are the goals of ABB activities in East Europe?

[Lundberg] First of all, we want to serve our customers in the local markets, as in the case of Poland. We also want to expand our firms in such a way that customers will choose us. We must acquire a reputation of being good partners for long-range work. In Poland in our plants we developed the latest available methods of production, and through ABB we arranged financing for modernization of the power plant. We also created new jobs.

[RZECZPOSPOLITA] Does your firm have concrete plans concerning other East European countries?

[Lundberg] We have operations in Hungary, in the former GDR and in Yugoslavia. We are now beginning in Czechoslovakia. We are conducting talks with representatives of Russia and listening to what is going on there, but right now it would be difficult to go into that country.

[Box, p IV]

**ABB's Assets in East Europe**

The Swedish-Swiss electrical engineering concern, ABB, is the most active of the large world companies who are trying to expand their operations in the countries of the former socialist camp. Since the fall of the Berlin Wall, ABB has gone into the former GDR, Poland, Hungary, and Croatia. It has been unsuccessful only in the case of Czechoslovakia, where, in its attempts to obtain the Skoda locomotive factory in Pilsen, it lost out to the German Siemens.

ABB's assets in East Europe are shown below:

Factory	Number of Employees
<b>In the new German lands:</b>	
Dresden GmbH (power plant construction)	2,100
Cottbus GmbH (automatic control engineering)	2,000
Halle-Nauen (transformer apparatus)	450
Bergmann-Borsig GmbH Berlin (power plant equipment)	3,500
<b>In Poland:</b>	
ABB Zamech (turbines)	3,800
ABB Dolmel (motors)	450
ABB Dolmel-Drives	1,350
<b>In Hungary:</b>	
ABB Lang (turbines)	600
<b>In Croatia:</b>	
ABB Power Plants	400

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Gauoran Lundberg was born in Sweden in 1940. He is a graduate of the Mechanical Department of the Royal Institute of Engineering in Stockholm and the Trade and Administration Department of the University in Lund. He worked in various Swedish firms. During 1981-87 he was president of ASEA STALAB, during 1988-89 he was vice president of ABB Baden AG, and he has been vice president of ABB Ltd. Zurich and head of its energy production department since 1 April 1989.

**Norwegian Firm To Distribute Oil Products**

92EP0289B Warsaw RYNKI ZAGRANICZNE in Polish No 22, 20 Feb 92 p 3

[Article by Jadwiga Druzynska: "Statoil: From the North Sea It Is Closest to the Baltic," under the rubric "Leaders of World Business"]

[Excerpts] Crude oil and gas nowadays are a major factor in Norway's economy. And Stavanger, once an important fishing port and fish processing center, has become a capital of the petroleum industry and the site of Statoil, the main Norwegian exporter of crude petroleum from the North Sea.

The establishment of that corporation, which is wholly owned by the Norwegian Government, was closely linked to the discoveries made in the North Sea zone in the second half of the 1960's. Oil extraction in that region commenced in 1971, and Statoil was established in 1972. It is thus a relatively young company, one of the three [Norwegian] oil companies. The oldest of that trio, Norsk Hydro, is 50-percent state-owned. It is active not only in hydroelectric power, as indicated by its name, but also in such other domains as the chemical and metallurgical industries. The third Norwegian oil company, which is smaller and more recent, Saga Petroleum, has by now been completely privatized.

Statoil is not one of those huge oil companies. But still it is a significant oil producer, especially on the market of northwestern Europe. It also is worth noting that, on the list of the "European Top 500" recently published by THE FINANCIAL TIMES, Statoil is ranked 77th among the European companies grouped according to sales volume. In 1990 it had reached \$11 billion.

**Investment Projects in Poland**

Let us now consider the most important—to this country—issue, namely, the presence and intentions of Statoil in Poland. As mentioned by the head of that company's office in Warsaw, Mr. Elmer Slagstad, Norway ranks third among our crude petroleum suppliers, after the former USSR and Iran. Last year these imports hovered at 1 million metric tons and they presumably will remain at that level this year. The crude is delivered to the refinery in Gdansk. Of course, this is not the principal reason for Statoil's interest in our country. Even earlier than in Poland, it had opened an office in Tallin, Estonia's capital, and it may soon now open another office in Vilnius, Lithuania. From Norway the distance to countries adjoining the Baltic is especially close. And of these countries Poland is the largest.

Counting on reform-caused progress in our country and on its emergence from the present recession, Statoil intends to build some 50 gasoline service stations on our territory. A related letter of intent has been signed last year with the Petroleum Products Main Office, the

government distributor of liquid fuels in Poland. Presumably gasoline stations bearing the Statoil logo, perhaps like the one shown on the photograph below [not reproduced here], will be located in the Szczecin area, since it is the closest to Norway, but also in Poznan and in Warsaw, the latter offering the biggest market for gasoline.

This warrants mentioning the innovations introduced at the gasoline stations in Norway. That country, always sensitive about environmental protection (as demonstrated for example by the fact that it has already introduced a tax on carbon dioxide emission), has linked the fuel distribution network to a new recycling system project. Statoil cooperates with Fetex Society, which handles waste management and which incidentally also has its offices in Stavanger. Gasoline stations happen to be the places for the accumulation of all kinds of wastes such as, chiefly, old tires, malfunctioning storage batteries, or spent motor oil. All such wastes can be regenerated—from the rubber in the tires to the lead in the storage batteries.

#### Photo Caption

1. p. 3: Statoil owns 1,600 gasoline stations in north-western Europe. Will similar stations spring up in Poland?

#### GM-FSO Auto Production Negotiations

92EP0264A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 29 Feb-1 Mar 92 p 1

[Article by Danuta Walewska: "GM at FSO: \$75 Million To Start With"]

[Text] After 18 months of negotiations and many tense moments, when negotiations were practically ready to break off, General Motors Europe [GME] and the FSO [automobile plant], together with the Ministry of Industry and Trade [MPH], the Ministry for Ownership Transformation [MSPW], and the Ministry of Foreign Economic Cooperation [MWGZ], signed a Memorandum of Understanding on Friday, 28 February. This document now makes it possible for both enterprises to complete all details of the understanding. Nonetheless, it is less rigorous for the parties making the agreement than a letter of intent, which contains many clauses. Attorneys believe that a memorandum of understanding is a more comfortable document because it does not preclude the withdrawal of one of the agreeing sides.

However, there was no indication that this is what would happen in the case of GM and FSO. Robert J. Eaton, president of GME, and Andrzej Tyszkiewicz, FSO chief director, who signed the understanding, clearly breathed a sigh of relief afterwards. They both stated that this moment was worth waiting 18 months for. When queried by *RZECZPOSPOLITA* which moment in the negotiations they felt was the most dramatic one, A. Tyszkiewicz replied that it was on 20 December, when nearly all the documents were ready for signing but were not

signed, while R.A. Eaton believed that the negotiations were normal, but that 4 November was the roughest day.

The final decision to sign came late Thursday night, going into Friday morning. The signing ceremony itself also took place after an almost two-hour wait full of tension, which was caused partly by the need to explain the question of financing to the FSO, a plant that is seriously in debt, as everyone knows. At the last minute, Andrzej Topinski, acting president of the NBP [Polish National Bank], went to the MPH. According to the signed documents, GM is obliged to invest \$75 million in making a new factory to manufacture Opel-brand private automobiles. The appointment of a joint team is also planned. This team will present concepts for replacing the Polonez with a new model (Eaton said that it was not known whether this would be a large car or a small one). GM also plans to conclude an agreement with the FSO concerning technical assistance to modernize automobiles which are currently being produced and to streamline production.

GM likewise plans to cooperate with former FSO coproducers, with its plant branches and with Polish suppliers of components, and to connect them with the most important suppliers of parts for GM. Automotive Components Group Europe, which belongs to GM, previously signed a memorandum of understanding with the Shock Absorber Plant in Krosno.

Minister Andrzej Lipko observed that the signed documents will be a signal to all other foreign investors. Robert Eaton announced that by 1996 his firm plans to invest considerably more in our country. He said that it is possible for this sum to be fivefold or sixfold the amount of the current agreement. Stressed R.J. Eaton, "\$75 million is just the beginning. We also believe that our investment will have a stimulating impact on the economy." Meanwhile, Andrzej Tyszkiewicz emphasized that FSO already has contacts with foreign firms which are interested in cooperation with GM and production within Poland itself. In Hungary, GM invested \$300 million in the production of the Opel Astra.

Almost beginning immediately, 1,000 persons will be employed in the production of the Opel in Zeran. Later, as production increases, employment will also increase. Today there are 19,000 workers employed at the FSO mother plant. Last year, 40,000 automobiles with an average value of 70 million zlotys each were produced at the plant.

Despite the fact that GM has been selected as a partner for FSO, according to our information the French and Citroen have not yet abandoned further negotiations. The future of this cooperation will certainly be discussed by officials during the visit of Prime Minister Jan Olszewski to France planned for March.

### **National Chamber of Commerce Promotion Efforts**

*92EP0289A Warsaw RYNKI ZAGRANICZNE in Polish No 23, 22 Feb 92 p 1*

[Article by (emes): "Two Years of Existence of the National Chamber of Commerce: A Favorable Balance Sheet; Criticism of the Assumptions of the Government's Policy; World Congress of Small Business in October 1992"]

[Text] Two years ago, on 15 February 1990 to be exact, the National Chamber of Commerce was registered. At the time it had nine member chambers, whereas now it associates, on voluntary principles, more than 100 various economic societies.

Within that relatively short period of time the National Chamber of Commerce has become a genuine representative of the interests of Polish enterprises vis a vis both the government authorities and similar foreign organizations and companies, promoting Polish business throughout the world. This was emphasized at a meeting with reporters held on that occasion by the chamber's President Dr. Andrzej Arendarski. He declared that the balance sheet of the chamber's accomplishments so far is on the plus side. It is important that organized business has become a strong lobby commenting on any legislation concerning the Polish economy and playing a significant role in its transformations.

The chamber's activities are chiefly in support of small and medium enterprises, concerning which it is organizing a comprehensive system of information on Polish companies, on their potential and coproduction possibilities. The system is linked to the world economic information network.

The chamber also is promoting our industry throughout the world. This goal is to be served by the Polish trade centers being currently established abroad. The first such center shall soon start operating in London. The National Chamber of Commerce has become an organization known and recognized throughout the world, as proved by its membership in the international organizations associating similar institutions all over the world.

"The chamber occupies a place of its own among the public institutions of our country," concluded A. Arendarski. "Its strength consists in thousands of devoted activists of organized business, in whom also rests all hope for this year, which is so difficult for business."

The National Chamber of Commerce opposes the assumptions of the government's economic policy, said the chamber's Vice Chairman Kazimierz Pazgan. "We cannot accept both the fiscal methods of assuring budgetary receipts and the policy on currency rates of exchange. The government's program similarly does not provide for solutions enabling Polish capital to participate in the privatization."

Aspects of integration of the economies of the East and West will be the subject of the World Small Business

Congress scheduled for this coming October in Warsaw, according to Boguslaw Wojcik, a member of the chamber's governing board. This unusually important convention in Poland will be attended by more than 2,000 foreign participants representing science, business, and banking the world over.

### **National Bank Clearinghouse Established**

*92EP0261A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 24 Feb 92 p III*

[Article by Pawel Jablonski: "A National Clearinghouse for Banks: Nothing Moves Without a Computer"]

[Text] Each day Polish banks send each other about 400,000 documents confirming or asking for the performance of some sort of financial operation. On certain days, such as the deadline for paying some sort of tax, there are far more such documents. Of course, these documents do not generate actual shipments of cash.

Clearings between the various banks are conducted this way: Each bank determines the daily balance for its settlements with other banks, and the Polish National Bank [NBP] corrects the bank's balance by that amount, because all banks have NBP accounts. Among other things, this system makes it easier to send money back and forth between banks, although the banks themselves handle a large share of the operations related to clearing. When the Polish banking system had only a few banks, the central bank could monitor the banks' operations to see that they were conducted properly in timely fashion. Now that there are several dozen banks, it is no longer possible to monitor the banks this way. The need to create a clearinghouse, a special enterprise to handle clearing between the banks, has become urgent.

On 22 November 1991, a notary's deed was signed in Warsaw creating the National Clearinghouse (Krajowa Izba Rozliczeniowa), or KIR, a company consisting of 19 shareholders, including the largest Polish banks, the NBP, and the Union of Polish Banks. Clearings between banks account for about 90 percent of the turnovers between banks. The company has 51.5 billion zlotys of capital.

Clearinghouses are created in two stages. First, probably in the middle of this year, a clearinghouse operating on the basis of traditional documents will be created. It will have 17 regional interbank clearing centers, where banks will be able to exchange clearing documents. In addition to these, there will also be a center in Warsaw to settle the balances of the various debts and credits from the exchanges of settlement documents among the banks, based on data from the regional clearing centers. For the operation to work, it will be necessary to set up a bank post office to send the documents.

During the second stage, an "electronic clearinghouse" will be established. It should begin operation in July

1993, making it possible to handle clearings without sending "paper" documents back and forth. The way clearing is handled in the various banks will probably change gradually, depending on how technically prepared they are to handle the electronic transfer of information on operations they conduct. The establishment of an electronic system will also depend on first setting up an interbank communications network (Telbank), the first basic component of which has already been created. It is a network of radio (trunk) connections with 17 nodes. The regional interbank clearing centers will be created at these nodes.

Not all banks will participate in the clearing conducted through the clearinghouse. Experience from countries where the bank system is quite developed shows that not all banks need to participate in bank clearing handled through clearinghouses. It is not profitable for small banks to maintain representatives in all of the 17 regional clearing centers. Instead, they will be able to use corresponding banks as intermediaries and handle their clearing between banks this way.

For the sake of security, the plan in Poland, as in many advanced countries, is for part of the clearings to be handled outside the electronic clearing system, that is, within the traditional clearinghouse system, or with special additional procedures. This protection will apply to very large operations.

The clearinghouse does not attest to the reliability of the banks taking part in clearing accounts. This fact makes it essential to have a way to cover a possible lack of funds in settling accounts between banks. It has been established that each bank clearing participant will create a special fund in commercial paper kept at the NBP. This fund can be used as needed to cover shortages. The plan is to base the size of this assurance fund on the value of the individual bank's average daily clearings.

The creation of the KIR will eliminate the central bank's risk involved in handling bank clearing. The central bank will be left with merely handling the appropriate transfers between the accounts of the various banks on the basis of the data KIR sends it. The NBP will be able to handle bank account consolidations more easily. At present, the various bank branches and departments have separate accounts in the various NBP branches and departments, making it impossible to know the current status of a given bank's accounts. Because of the principle that the NBP issues refinancing credit to cover account shortages, the NBP could be in a position of unwillingly financing some bank's operations. The owners of "Art-B" took advantage of this very mechanism.

It is still difficult today to talk about the costs of the entire investment, especially inasmuch as it will consist of two items. On the one hand, there will be the cost of buying the computers, programming, and the accompanying telecommunications network. It may cost several million dollars to buy and install. The second item will be what the banks will have to invest to buy equipment

to permit them to interact with such a system. This second part may cost the various banks several times more than their investment in setting up the central computer. In Czechoslovakia, these average costs are three times the initial investment.

### **Report Encourages More Competition in 1992**

92EP0263B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 26 Feb 92 p 1

[Article by P.J.: "What Kind of Competition?"]

[Text] On Tuesday, 25 February, Anna Fornalczyk, chairman of the Antimonopoly Office, held a press conference. The subject was "Competition Policy in Light of the Government's Socioeconomic Policy Assumptions for 1992."

According to government assumptions, the main elements of competitive development policy will be antimonopoly activity, liberalization of imports, and privatization of the economy. In antimonopoly action, the main emphasis will be on the restructuring of agriculture and the metals industry. The changes will be accelerated by new regulating institutions which will function like government agencies and will be concerned with electric energy, thermal energy, and gas. They will conduct oversight over prices and terms of agreements with buyers of these articles. These agencies will prepare a list of criteria by which the functioning of the power industry will be evaluated in order to compare the efficiency and quality of the services that they offer. This, in turn, will make it possible for the agencies to exert pressure on the enterprises which are not up to standard.

The antimonopoly measures will be assisted by a law on combating dishonest competition, the draft of which will probably be submitted to the government in March. This law will govern the rules for conducting an advertising campaign.

Frequently, the only competition for our domestic monopolies are foreign producers. That is why liberalization of imports is indispensable, it being the only way of creating competitive conditions for Polish enterprises. This will require some modification of the size of duties.

The Antimonopoly Office is required to pass judgment on all privatization undertakings. This is based on the fear that a present state monopoly may be replaced by a private one. It is important also that the formation of enterprises with foreign capital be supervised. The intent is that foreign firms buy up Polish enterprises, and not the markets of particular commodities.

A new element in the government program for the development of competition will be the establishment of public procurement, based on the principles of auctions and implemented by the state administration at different levels.

Work is now under way in the Antimonopoly Office on five new regulations which conform with EEC regulations. The new regulations will deal with patent agreements and licenses, the question of exclusive rights to buy or sell a specified commodity, the merging of enterprises, know-how, and enterprise coproduction.

Chairman Fornalczyk reported to the journalists that "price collusion" in the sugar industry is suspected.

### Jan 1992 Labor Market, Unemployment Figures

92EP0264B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 29 Feb 92 p 1

[Article by Central Office of Statistics: "The Economic Situation in Poland in January 1992"]

[Text] The number of people employed in the enterprise sector (in large and medium-sized economic units) on 31 January 1992 was 6,443,600 persons. This was down by 10.8 percent for the same period last year. The number of those employed in the six basic sectors of the national economy was 5,947,400 persons, or 11 percent less than a year ago, but 0.1 percent more than in December.

Average employment in the enterprise sector (in large and medium-sized economic units) in January 1992 was 6,230,800 persons; this was down 9.8 percent by comparison with the same period last year. On the other hand, average employment in the six basic sectors of the national economy was 5,761,100 persons; this was 9.7 percent lower than for the same period last year. Employment rose by 15,400 persons (3 percent) over last December, increasing by 5 percent in trade, 2.1 percent in construction and 0.2 percent in industry. It declined in transport by 6.3 percent, in municipal management by 5 percent and in communications by 1.3 percent.

At the close of January 1992, there were 2,230,100 persons (including 1,168,800 women) registered in employment offices. This constituted 11.9 percent of the total number of persons actively engaged in an occupation and 12.2 percent of the actively employed civilian population.

The unemployment rate (calculated by comparison with the actively employed civilian population) was the highest in the following voivodships: Olsztyn and Suwaly (19.6 percent each), Slupsk (19.5 percent), Koszalin (19.1 percent), Walbrzych (18.8 percent), Ciechanow and Ostroleki (17.7 percent each) and Elblag (17.6 percent). The lowest unemployment rate continued to be noted in the following voivodships: Warsaw (4.7 percent), Poznan (5.9 percent), Katowice and Krakow (7.2 percent each) and Wroclaw (8.6 percent).

The number of those out of work in January 1992 compared with December rose by 74,500 persons, or by 3.5 percent. The monthly increase was more than 1.5 times higher than in December, and it approximated the figure recorded in October and November 1991.

The highest monthly rate of increase in unemployment was noted in the following voivodships: Krakow (11.6 percent), Opole (8 percent), Lodz (7 percent), Lublin (6.4 percent) and Warsaw (6.3 percent). Meanwhile, the rate of increase in unemployment was the lowest in the following voivodships: Jelenia Gora and Legnica (0.4 percent each), Skierniewice (0.5 percent) and Zamosc (0.8 percent). In the Bialystok and Wloclawek voivodships, the number of unemployed persons declined insignificantly by comparison with December 1991.

Among unemployed persons registered in employment offices at the end of January 1992, 23.4 percent were persons who lost their jobs for plant reasons (in December 1991 this figure was 23.1 percent). The share of this group of persons was the highest among the unemployed in the following voivodships: Koszalin (39.2 percent), Krosno (36.1 percent), Przemysl (33.1 percent), Biala Podlaska (32.2 percent), Lodz (31.8 percent) and Bielsko-Biala (31.2 percent).

Persons not entitled to collect benefits constituted 21.1 percent of all unemployed persons registered in January 1992.

The number of job openings announced to employment offices increased over last December by 2,400, making the figure 31,500 openings at the end of January. Thus, there were 71 unemployed persons for every announced opening (119 unemployed women for every job opening for women and 49 unemployed men for every announced job opening for men).

In January 1992, 40,400 unemployed persons began jobs (this figure was 42,300 in December). Interim work for 15,500 persons (22,800 in December) was financed out of the Labor Fund, as was vocational training for 2,600 persons (6,300 persons in December). Benefits were paid to 1,649,900 unemployed persons for a combined total of 1193.2 billion zlotys [as published].

According to data obtained from reporting units through 20 February 1992, in January there were 1,303 strikes in which 308,300 persons took part. The reason that there is no figure for the number of strikes conducted over the monthly period is that there were two nationwide protest actions. The first, which was related to a defense of rights as outlined in the Teachers' Charter and to wage increase demands, included the participation of 824 educational institutions. The second campaign, which was organized separately by NSZZ Solidarity (on 13 January) and OPZZ [All-Polish Trade Unions Agreement] (16 January) was associated with a protest against rate increases for power, natural gas, central heating, and hot water. This involved a total of 479 strikes. Despite the significant number of strikes, because of their aims and character (they were short-lived warning strikes), the loss of work time was relatively small, totaling 80,000 days or a period only two times more than in December 1991 when four strikes took place.



**FSN Chief on Elections, Party Unity, Coalitions**

92BA0671A Bucharest *TINERETUL LIBER*  
in Romanian 7, 10 Mar 92

[Interview in two installments with Petre Roman, leader of the National Salvation Front, by Doina Diaconu; place and date not given: "Several Currents, but One Party"]

[7 Mar pp 1, 3]

[Text] [Diaconu] First, about the local elections that just ended. The final results, expressed either by the number of mayors and councilors elected or by the number of voters who chose the FSN [National Salvation Front], were in your favor. Nevertheless, political circles are talking about a failure due primarily to the loss of the big cities. Both politicians and the press have provided a string of explanations, from eroded popularity in the wake of being in government, to the fact that the urban population had better means of information, and to contradictions inside the FSN. How do you explain the results of the elections and what was the main reason for the loss of voters?

[Roman] After closely examining the results and also taking the absenteeism into account, because it also played an important role for the final results, we came to the conclusion that the causes were connected. The erosion was undoubtedly evident. The same thing is happening throughout the world. Any government, especially in a period of transition, can suffer even greater erosion. Then we must admit that the greatest pain of the legacy of the former regime has accumulated in the major cities: run-down infrastructures, major industries depending on raw materials and other suppliers, and on international markets that have all disintegrated after the collapse of the communist system. In fact, here, in the big cities, the transition was most acutely felt; consequently, people were tempted to change. Not a change of politics, but simply a change regarding their material situation. And finally, we should not ignore the fact that our message, the Front's message regarding the threats of the transition, was not always accompanied by precise solutions designed specifically to remove this sense of threat regarding one's job and the threat of being uprooted. The workers, technicians for example, people who have a profession and are entitled to say that they should get a decent salary in keeping with their skills, are also experiencing a sense of being uprooted from their place in an organized system. Consequently, the lessons we learned compel us to formulate a message with a specific contents and a program aimed at relaunching and recovering precisely this potential. We have considered and studied the means for that, and such means do exist.

Finally, I do not want to omit the aspect of the Front's internal image, which certainly had a harmful impact. I am referring to the emergence of incriminations inside the Front, made by Front Parliament members [MP's] about the government. Such a thing never occurred

anywhere else. I said: We have nothing to fear. But as a political action, there is no sense in being attacked by your own people, from your own party. The opposition can do that, it is its right and even its duty. So the opposition was very happy about this circumstance. Then there was the government with the liberals. A number of unpopular measures were taken, the prices increased very much compared to the month of September under the previous government, in the wake of which the general material situation became much worse. Responsible for this were not only the FSN members of the government, but the liberals in the government, too. Participation in government entails equal responsibility. In this respect, they played a rather ugly demagogical card which, why not say it, took hold to a certain extent even when the FSN took some very well targeted positions regarding the aberrant price increases, because we knew precisely that certain control mechanisms were not being applied when they needed to be applied; even then, the press and the mass media did not act appropriately. I think that this entire complex of factors led to the drop in the number of voters for the Front.

[Diaconu] The unity of the party is one of the issues that is currently concerning everyone, both sympathizers and opponents. As is known, in the past few months a series of currents appeared inside the FSN which tended to split the party. Alternative leaders have also emerged. Although to a great extent the March convention will decide the fate of the Front, do you now anticipate an imminent break, or will these currents be able to coexist, after the model of the French Socialist Party [PSF], for example?

[Roman] We have repeatedly discussed this issue in the party, at meetings of the executive bureau and the steering collegium. The predominant feeling is that we are several currents, but one party. The form in which that occurs in the PSF is significant for this idea: many currents, but one party. Except that the party must act accordingly and show cohesion and unity. Unfortunately, that was not our case. That created the image of going toward a split. The prevalent view is still that the unity of the Front is the most desirable objective, which seems obvious to me. The problem is the following: We must define our political terms and the terms of our convictions for such a unity, because the new evolution of the FSN toward a modern, democratic party of reform is the only means of preserving the FSN as the majority party in Romania. We, those currently responsible for the fate of the Front, are not evading this belief.

[Diaconu] What can you tell us about the group of MP's for the unity of the Front, which recently had Mr. Petre Ninou on television as spokesman, and the center group that is periodically meeting under the slogan "A Future for Romania?"

[Roman] Our statute clearly indicates the possibility of several motions. From this viewpoint there is no surprise and no worry. As long as these motions confront each

other on the basis of arguments and in the arena of political action inside the Front, I think that we are precisely following the spirit of the FSN statute, which is in fact a very modern one. Normally, however, those who promote such motions should do it personally. After all, those who present a motion represent themselves. At least at this time they cannot represent anyone but themselves. This aspect is important. The political actions in the various positions held by those who presented these motions cannot be separated from what the motion proposes. Consequently, if someone who now proposes a motion with a, let us say, reforming, modern, and democratic form, revealed himself as rather a conservative in his work, a man linked to the old mentality and ideology, his coming out with a motion that says something else is not credible. There must be some consistency if the motion is to be credible and rally the support of the majority.

[Diaconu] Last December Mr. Marian Enache accused the present Front leadership of lacking a viable government program for the next stage.

[Roman] And I replied that we had such a program.

[Diaconu] Hence, the question was: Do you have a motion within the context of the crystalization of various groups, do you have a group, where do you place yourself?

[Roman] We have a platform, as the statute requires. Of course, this platform contains both a motion and a government program. This is a massive document incorporating a political program, the elements of the party's position in the Romanian society, the lines of the economic construction, the economic settlement of the various branches of the national economy, and of course, a considerable segment of it refers to social aspects, i.e., to recovering the labor force, the professional training of the unemployed, and the entire educational and cultural system. It is a basic document, worked out in general lines and even in detail. As for the issue of whom this motion represents, I am convinced that it represents those who recently bore the brunt of the Front's work, since October. This is not a group, it is more than that. Of course, it bears the mark of those who contributed to its formulation and it contains many of the ideas that we recommended on various opportunities and at our many meetings throughout the country, ideas that I, my colleagues, and many of those who were with me in the government, many of whom still are, have presented in our interventions. However, altogether it is a motion that represents those who worked for the Front to become what it is today as a party.

[Diaconu] Since you mentioned travel through the country and meetings with the electorate, what impact did they have on the voters and on yourself?

[Roman] I find it difficult to estimate the impact on the voters. I generally met with sympathizers, but sometimes also with people who were far from and who tried to

exhibit their opposition to us, but in the end we nevertheless had a dialogue. To me, my travels through the country, through 15 counties, marked the most important test since I left the government. Maintaining a direct line of communication with people belonging to the most diverse social categories was and remains the only means of carrying out an honest policy apt to serve the country's interests. All these things do not have a personal value. When I went to talk to people, my idea was to learn something of what it means to experience needs and worries, and a certain humility before them, which one assumes in order to be able to feel them and then to do something to find succor and solutions. That is the most important condition I acquired.

[10 Mar pp 1, 3]

[Text] [Diaconu] We are currently going through a period in which political alliances are made and unmade. Is the FSN envisaging any alliances, or does it utterly rule out such a possibility? What are the relations between the Front and other parties, their affinities and incompatibilities?

[Roman] I think that we cannot say a priori that we will never go into any alliance with anyone. For a party that would mean a priori excluding the possibility of being in the government when it does not hold the majority, something that is certainly not natural. Realistically speaking, any alliance is based on an evaluation of the parties likely to form a coalition. Because, for example, a large party like the FSN, if it enters into an alliance with a very small party, the latter may well be seen as a satellite and lose its identity, which is not good. On the other hand, such an alliance must not lead merely to a compromise formula. Especially at this time in Romania, governing means bearing the responsibility for the program and for what one is doing. We do not have a well established democracy in which the government is after all limited to certain economic or financial tendencies. This is a matter of the rejuvenation and reformation of the Romanian society. Hence, I do not think that what we need is a mere compromise alliance. The current government clearly shows that if an alliance is not based on a program and on sound political legitimacy, it cannot do much. So that, however we may view the situation, the alliance we may enter must lead to the recovery of the country and to achieving economic growth. We do not form alliances only in order to govern, I am not interested in any such thing. The country needs to be governed, but that cannot be done unless we have an alliance defined in very clear terms. Evidently, as a democratic, center-left party, the FSN rules out any alliance with extremist parties and any alliance that would be against our principle of bringing Romania into the ranks of modern countries, as well as any tendency of engaging in politics for its own sake, having recourse to political maneuvers, and promoting party interests. From this point of view, an alliance with what I feel compelled to call the archaic right wing does not seem possible to me as long as we do not have any

signals from that side that the interest of the country counts for more than party interests.

[Diaconu] Nevertheless, at one point there was some talk of your intention to enter the Democratic Convention.

[Roman] On that occasion, too, I said that what can unite us is probably only the struggle to achieve democracy in Romania. Except that that does not seem sufficient to me. Democracy will remain fragile as long as we do not have a sound economic foundation. To us the definitive principle is that we do not have party interests except when we want to promote the country's interests and a program designed to restore and develop the country. For the rest, we did enter alliances with parties such as PUNR [Romanian National Unity Party], PDAR [Democratic Agrarian Party of Romania], the Ecologists, the PNL [National Liberal Party], which we must also view in terms of program.

[Diaconu] PNL leaders have repeatedly stated that as soon as its members entered the government, Romania obtained important loans precisely because they were requested by a liberal minister. What do you think of this position?

[Roman] I think that the loans were very good and the position very bad. Technically speaking, all such loans materialize only after negotiations which are generally both lengthy and difficult. Both sides have their interests to defend, consequently loans are obtained only after serious work, in which the credibility of the Romanian side, as the loan recipient, undoubtedly comes into play. I will give you three examples of loans—they referred to at least two of them—to which their contribution by being members of the government was inexistent. There was the \$300 million IMF installment designed to support the consolidation of the domestic rate of exchange—which we already had—in September. As I said before, if it had not been for the miners' raid, the government I headed would have achieved the consolidation in much better conditions than it was in the end done from the viewpoint of financial support. Another amount of money about which I was surprised to learn that it was allegedly obtained by PNL representatives was the credit granted by the Swiss government, which was negotiated and finalized under the previous government. And finally, we were happy to learn about the credit awarded by the Canadian government for the construction of a \$320-million nuclear power plant in Cernavoda, which was also negotiated previously and which reminds me of the visit paid by the Canadian energy minister and everything we discussed on that occasion. I would indeed like them to bring in something themselves, because it would be good for the country, but it has not happened yet.

[Diaconu] What do you think about the establishment of the Romanian Bank, which is managed by prominent PNL figures?

[Roman] In itself, the opening of a bank is something good and necessary. As far as I recall, the Romanian Bank was

the PNL bank before the war and was managed by the Bratianu family. As you may remember, at some point several of our party leaders established a commercial association for the purpose of publishing newspapers, magazines, and books on political analysis, which could not have produced much profit. You may remember the indignation that some newspapers expressed about it. That was pure demagoguery, because now that this bank was opened, whose honorary president is the PNL leader, and especially where two high-ranking government functionaries are principal share-holders—Messrs. Ionel Sandulescu and Teodor Vaida—who regularly attend government meetings, everyone thinks that is good and well. Two measures in the democracy which signify the exact opposite of democracy.

[Diaconu] What was your opinion of the article that appeared in *LIBERATION* and was picked up by *ROMANIA LIBERA* about certain statements that you allegedly made among friends?

[Roman] I was very much surprised. The newspaper *LIBERATION* is one of the popular French dailies. I do not know what the journalist in question represents, but I know that his report was denigrating and false. As someone familiar with French political customs, I would say that the French courts would have something to say about such a report. I am not considering any such thing because I suspect it was a glitch on the part of *LIBERATION*.

[Diaconu] Although less frequently, articles continue to appear in the press based on genuine or false documents from the files of the former Securitate. What do you think could be done to eliminate this press practice?

[Roman] You put your finger on a very painful sore in the Romanian society. Let us remember that we proceeded from being terrified by the power and the actions of the former Securitate. Some of the power of the Securitate resided in its ability to compile files about everyone in order to nail him to the wall on the basis of the communist ideology and practice. This was a great burden and frustration to very many among us. This problem weighs on us and I believe that it is unacceptable that among all the former communist countries we should be the only one left where this issue has not been democratically resolved. This is not a minor issue, but a decisive one for the democratic image of the country. In September 1990 I requested those files to be closed and sealed as they were—I am referring to the political files, because those concerning national security continued to have their sense—and that Parliament should pass a decision to that effect. Speaking for myself, I would not be in the least affected if they were to be fully published, as is the case in eastern Germany, because I was one of the not very many who had nothing to do with the former Securitate. Although, whenever was necessary, I did my patriotic duty. Those are two completely separate things. It is one thing to do one's patriotic duty—which I think every Romanian does and which I think is correct

and good—and entirely something else to engage in political denouncement, accusations, and falsification for political purposes, which was what the former Securitate practiced as a means of oppression. This burden should have been lifted from the shoulders of the nation by a Parliament decision, which did not happen. Today the suspicions about the files seems to be even greater because no one can guarantee that they were not doctored. Some examples do, unfortunately, exist. We have seen in some newspapers documents from Securitate files. How were they obtained? Why were they allowed to be obtained? Unless what we saw were fakes, whose professionalism may lead us to suspect that the people who were doing that sort of thing before are still at it. Consequently, I am still as convinced as ever that this shameful page we inherited from the communist regime must be closed according to the democratic norms by a Parliament decision, a consensus decision. Either these files should be locked up somewhere for a certain period of time, or they should be opened to everyone upon request, but in any event, a consensus Parliamentary formula must be found.

[Diaconu] As you know, at a Parliament session Mr. Virgil Magureanu expressed himself very favorably about the recommendation of the opposition that persons who had been persecuted should have access to their files.

[Roman] Yes. I found his position strange, because it suggested that he was the great keeper of those files. With what right? Who entitled him to keep and use those files? In the name of what law? Now we have a national security law, but no mention is made of the files of the former Securitate.

[Diaconu] Recently the Airbus planes came back into the news because of an aviation accident in France. With your assistance, Romania signed a contract to purchase this kind of aircraft. Do you think that in the given conditions this purchase is still opportune?

[Roman] I followed what was written about that aviation accident and by all probabilities the cause was not technical. On the contrary, it may be said that the airplanes of the competition presented many more flaws. In short, the quality was not in question. What was in question was the deal. Here, too, it may not be bad to add a few clarifications. First of all, immediately after December 1989 we took over an existing file on negotiations that Romania had entered for the purchase of Airbus planes. Purchasing aircraft for a company is not something that is decided from one day to the next. As is known, at some point the fleet of airplanes simply goes out of operation. Moreover, in our case, we knew that as of 1992 many of the airplanes would no longer be allowed to land on certain airports, and by 1995 the current airplanes would no longer have that right. Consequently, we absolutely needed a decision on restocking the fleet. There were several offers. First there was the one from Airbus, and then there was one made by Boeing at the time. Boeing's offer was far less interesting from

every viewpoint. From the viewpoint of ground maintenance, the Airbus is known to have the advantage over all the others. In order to reach a final conclusion we paid a visit to the plant, where we arranged for a very quick delivery, something that was very important. Let us not forget that a plane like Airbus, if it is well utilized, makes back the money in the record time of one and one-half years. The prices we were quoted were very convenient, and the fact that the planes were to be delivered sooner—they could have come in now, in March—was very profitable. I did not sign the contract, TAROM did. I did not sign any document; I gave my agreement and, perhaps because of the sympathy we enjoyed at the time, we obtained that the airplanes should be delivered earlier. It is a certainty that if today Romania, i.e., TAROM, were to sell its option, it would make a net profit in excess of everything that has been paid, including interest, of \$15-20 million. If we are talking about business, you realize that it was and still is a wonderful deal. I, for one, am convinced—and the entire Airbus documentation shows it—that it was a good choice.

[Diaconu] Coming back to politics, what changes do you think that your image suffered among the public after the miners' raid, after you lost the premiership, the conflict with President Iliescu, and the press attacks by both nostalgic and right-wing forces?

[Roman] I do not know. I cannot describe myself. My answer is the same as I gave before—being among people, listening to them, and understanding them.

[Diaconu] A question that should rather be asked of your wife and daughter: Does the politician Petre Roman still find time for a real family life?

[Roman] This is a difficult question for me because it immediately brings back memories. A few days ago my wife and daughter, who is in school, were saying that we always lived by the belief that nothing was as important as the family dignity—never to have anything bad said about the family—but now that I am in politics, so many things are being said about us. I said, all right, but you know that everything that is being said, absolutely everything, is slander and defamation. And they both replied: So what? It is being said. And so many people read and hear these things. Especially this rumor mongering, which is not coincidental, is one of the famous tools of disinformation. So these things are being said. Many people have doubts, some even believe them. So in my free time I still hear such reproaches, unfortunately so unjust, from my loved ones. Free time I have very little. I read a lot. That is part of my being; it stimulates my own creativity, which is very important.

[Diaconu] How do you see the political future of the leader Petre Roman?

[Roman] You know, the political future of a politician is generally the meeting point of two factors: On the one hand, the will of the politician, and on the other, the expressed wishes of the community. It is like in love, it

takes two. Here the love is between the political figure and those he wants to represent. After all, I do not believe in the politicians whose participation in the life of the community has to do with personal ambition. My wishes, like those of others, are a result not of the desire to be in politics, but of the fact that at a given point I expressed something for the community and was supported by it. This is what I am doing now. Thus, as long as people believe that I can represent them, my will is strong. If that did not exist, my will would disappear. Not for myself and not because I were some apostle, but precisely because I am one of those who came up among those many who on 22 December wanted to do something.

### **Brucan on Politics, FSN, UDMR 'Crises'**

92BA0670A Bucharest *LIBERTATEA* in Romanian  
10-11 Mar 92 p 1

[Article by Silviu Brucan: "The Monolith Principle and Individuality"]

[Text] The single party system is defunct in Romania, but the monolith principle lives on. After the elections of May 1990, I wrote an article entitled "Democracy in Romania Begins with Democracy in the Front." Much to my surprise, I was attacked not only by the goose whose tiny head cannot hold more than two, maximum three ideas at one time, but also by the FSN [National Salvation Front] press itself. In fact, not only in the FSN, but also in the PNL [National Liberal Party], PNT-cd [National Peasant Christian Democratic Party], PUNR [Romanian National Unity Party], and so forth the entire party is closely united around the national leader or chairman and no one says a word, because it is not permitted. But can a party govern a country democratically if it is not practicing democracy in its own house?

Naturally, a party cannot operate effectively if it does not stand as a disciplined political body. But at the FSN National Convention of March 1991 a balance was struck between discipline (the obligation of all members to accept the platform program, statute, and decisions of the party adopted by a majority) and tolerance (freedom of opinion and acceptance of the right of minority choices to exist within the party). Here comes into play the old dilemma surrounding the Soviet constitution: What befalls you after you have exercised the rights envisaged in it? Because as soon as deputies and senators members of the FSN tried to express a different opinion on a given issue, they were either ousted from the party or forced out. The same thing happened in the PNL, PNT, and others, so that many splinter groups emerged and became independent parties bearing the original emblem. At this point we have over 100 political parties, most of which look rather like families destined to promote the head of the family and if possible, to receive the cash for the electoral campaign.

Under the single party system, the monolith principle led to intolerance and repression; in the pluralistic system it

generates proliferation. Although each such split or schism claims ideological principles or reasons, practice has shown that it is rather a matter of personal ambitions, conflict between generations, or dictatorial leadership methods. However, the activities of the political parties in a pluralistic system are regulated by compromise between principles and safeguarding party unity, a motive perpetually reactivated by the unforgiving demands of electoral confrontations.

We have long predicted that the small parties will suffer greatly at this year's elections because of the natural preference of the electorate for large parties capable of governing the country at the present difficult time. The local elections verified the prediction, but I think that the phenomenon will be felt much more strongly at the general elections and that the tiny parties will be simply swept out of the political arena, especially since the electoral law will set a 3-5 percent threshold for entering Parliament. The citizen who hopes to have an efficient and stable government will find it difficult to understand why there must be three to four liberal parties, five to six social-democratic parties, and two to three ecological parties. Small wonder that at the local elections some of them sought rescue under the folds of the Democratic Convention; now it can be said that the energy with which the opposition is fighting for the joint list is inversely proportional with the electoral chances it would stand if it presented separate, individual lists.

However, two major parties are also in crisis: the FSN and the UDMR [Democratic Union of Hungarians in Romania]. The proud-antlered FSN stags whose clash produced sparks played into the hands of the tiger (the Democratic Convention), which was waiting for both to spend their strength in order to eat them up at leisure in the local elections. Very smart of them. Now the problem is whether, after this spectacle, the Front can still offer the electorate the credible image of a party capable of governing the country, a tough and ungrateful task which requires precisely what turned out to have been missing.

As for the UDMR, it was to be foreseen that once the major political and cultural aspirations of the Hungarian minority were fulfilled, the interests of the various social and professional categories within this population will come to the fore. Consequently, UDMR is now facing a serious dilemma: a) to participate in consolidating democracy and the market economy in Romania, within which these interests may be satisfied, or b) to continue playing the opposite game, manipulated by the nationalists of Budapest and other irredentist Western circles.

Thus, the preelectoral period is becoming a dramatic test for both the external operation of the pluralistic system and the internal operation of the political parties of which it is composed.

### Legal Action Against Iliescu, Stanculescu Urged

92BA0670B Bucharest ROMANIA LIBERA  
in Romanian 5 Mar 92 p 5

[Report by Marius Ghilezan: "The National Anticomunist Alliance for Justice and Truth"]

[Text] A few weeks ago in Timisoara, the city where the Romanian revolution began, an initiative group made up of members of the 17 December Association suggested the unification of all the associations, leagues, and fora in the country for the purpose of a joint action: opening new trials against executioners of the communist regime. An extraordinary conference of all the delegates of the postrevolutionary associations in the country was convened at the Prefecture on Saturday 29 February 1992 at 1400. The purpose of the meeting was: 1. The unification of all postrevolutionary associations into a core which will demand to put on trial President Ion Iliescu and all those guilty of crimes against the Romanian people and of having agreed with the pardon decreed in January 1990, in the wake of which criminals were acquitted. 2. The immediate opening of a class action by all the victims in the country against the Political Executive Committee, after the sentence returned on 16 March.

Although the leaders of the 17 December Association were promised one of the Prefecture halls, at the scheduled time the delegates were kept out in the street. In a contemptuous and aggressive tone of voice, the officer on duty told them that the meeting was not in the service log and that a delegation led by Mr. Alois Mock was expected to arrive. At that point, the delegates demanded to be put into contact with the officials. They were refused any contact. During the verbal dispute, a group of civilians showed up and entered the Prefecture after tossing a "we are from the Foreign Ministry." They needed no IDs to get in. The fact may not have been unimportant that the three tall, dark civilians got out of a luxurious Hyundai Sonata limousine with the license plate 6-B-9632, sporting in a less visible place a small "free pass" permit stamped U.M. [military unit] 06530 as proof of belonging to another institution than the one stated by the duty officer.

In the situation, the delegates decided to go somewhere else where they hoped to find more understanding. "We are going to City Hall, there we will find the necessary support. If Ion Iliescu's appointees do not understand our pain, our elected officials will certainly help us." Which is what occurred.

Around 1500, with a delay of one hour, the extraordinary conference began in the Grand Hall of City Hall with a moment of recollection for the victims. In his opening address, Mr. Vasile Banciu, leader of the 17 December Association of Timisoara, spoke about the importance of establishing a national alliance of all postrevolutionary associations. The conference was marked by the immediate need for justice in Romania, a country in which the law is sheltering criminals. Next,

Mrs. Mariana Farcau, member of the initiative group, read out the draft statute of the future national alliance, pointing out that the alliance did not expect funds from the Libertatea account, only the punishment of those guilty of crimes. Most of the speakers cited well-documented and argued examples and spoke about the crimes of cadres from the Ceausescu reprisal apparatus who today are free thanks to the Amnesty Decree No. 4 of 4 January 1990. The delegates decided that they will meet again at the Justice Palace in Bucharest on 16 March this year, when the extraordinary appeal in the Political Executive Committee trial was scheduled to be judged. The speakers stated that if it was not accepted, they will file individual criminal suits presented as a group by all the citizens who suffered from the abuses committed by Ceausescu's acolytes. More specifically, Mr. Marius Mioc said he will file a complaint against General V.A. Stanculescu, who bore false testimony under oath when he claimed that the army opened fire in Timisoara in self-defense. The floor was also taken by: Cornel Tinjala (21 December Association), Ion Gatlan (the father of the first young man killed in front of the Dulles Hall), Constantin Dinescu (Revolution Foundation), Emil Demi (December 1989 Brasov Association), and other guests. We must add that AFDP-Timis (Association of Former Political Prisoners) and CADA [Action Committee for the Democratization of the Army] subscribed to the alliance.

A few quotations from various speeches: "People who used our bodies as stepping stones have been establishing all kinds of foundations. They are reinforcing their positions by using our weaknesses and lack of cohesion." "President Ion Iliescu should have been put on trial for promulgating Decree No. 4/1990, under which people guilty of abusive arrests and crimes were acquitted." "At the Timisoara county hospital the wounded were treated as detainees. Who interrogated Danut Gavra only a few hours after his leg was amputated? Who is hiding the former director Ovidiu Golea, involved in the theft of bodies?" "The criminals must pay." "We want to know who our executioners were." "A delegation must be formed to go to the European Council and report to that international forum that the Romanian wounded are beggars in their own country."

One of the CADA members, Lt. Col. (R) Viorel Tocan made shocking disclosures: "If the current power will feel that it is increasingly losing ground, the revitalized army nomenklatura will support it. Signals coming from the army indicate that in case of force majeure, all possible means will be used. More exactly, fire will once again be opened on the people. The true Romanian army will not obey the criminal orders of generals serving the emanations [Front members]. The clearest example of their link to the power is the presence of Ionel Vasile, a former general in Ceausescu's General Staff, as adviser to the president. We, CADA members, indict Ion Iliescu for all the crimes committed after 22 December 1989."

At the end of the meeting the National Alliance for Justice and Truth (ANADA) was organized, with headquarters in Timisoara. The steering committee was made up of one representative each of all the associations of martyr cities. Mr. Traian Orban of the 17 December Association of Timisoara was elected chairman. The next meeting was set for 15 March in Bucharest, the day before sentence is to be passed on the trial of the Political Executive Committee. On the morning of 16 March the ANADA representatives are to meet in the Justice Palace Hall, after which the delegates will go to Brasov.

A press communique was released at the end of six hours of discussions.

[Box, p 5]

#### Press Communique

On 29 February 1992 a meeting of representatives of the organizations of fighters of the December 1989 Revolution was held in Timisoara.

The participants in the meeting, noting that: More than two years after the Revolution, those guilty of the crimes committed in December 1989 and throughout the period of communist dictatorship have still not been tried and punished; the representatives of the power continue to prevent the truth from coming out and, what is more, facilitate the acquittal of those guilty by promulgating typically communist laws and decrees (for example, Decree No. 4/1990), decided to establish ANADA, whose purpose will be to: fulfill the ideals of the December 1989 Revolution; restore the idea of justice in Romania; put on trial and punish those guilty and those who permitted their acquittal.

The Alliance called upon all those who suffered from the communist repression of December 1989 to enlist in a class action; demanded the immediate opening of the trial of communism in each county; and supported the implementation of Point 8 of the Proclamation of Timisoara.

The Alliance called on the other organizations of revolutionaries and all the democratic forces in Romania to support its objectives.

[signed]—ANADA

#### Isarescu Details Problems of Banking System

92BA0701A Bucharest *TINERETUL LIBER*  
in Romanian 13 Mar 92 pp 1, 3

[Remarks by National Bank Governor Mugur Isarescu at *TINERETUL LIBER* Colloquium; place and date not given: "Banks Short of Capital"]

[Text] Regarding bank buildings. Unfortunately, the law works to our disadvantage. Law No. 15 gave enterprises in ownership the buildings in which they already were. Until some amendment is made, the process will be very laborious. Besides, we must remember the mentalities. This is the first meeting in two years organized by

someone other than the National Bank on the issue of the banking system. This shows that until now we did not realize how important the banking system was. If we did not realize that, it means that everyone looked upon the banking system through the eyes of past mentalities. We often wasted our time wherever we tried to raise the issue of the banking system. And we raised it in very colorful terms in order to make it understood. A banking service is like any other service. Perhaps it was my fault, too, that I did not fight enough, but you see, things are going more slowly than I thought. Even winning the National Bank building, to which we had documents in order and every right, took one and one-half years. That is the situation in Romania, that is how things go; there is also this perception that real estate is the greatest business of the century. For one and one-half years we battled City Hall about these unfinished buildings. We said: For the time being the banks have money. My somber prediction is that in the not too distant future liquidity problems will appear here, too, if they have not already. For the time being there is money and the banks must extend themselves, because previously they had 30 customers like BRCE [Romanian Foreign Trade Bank], whereas now they have 3,000. Soon they will have 10,000. Where do you put them? Let us finish these buildings. One and one-half years passed and we did not get it through! Why? I do not want to discuss it now, perhaps we will hold a separate debate on matters of real estate.

The banking system should be very strong, but is very weak in Romania. This is practically a dilemma caused by the fact that one cannot really have a strong banking system in a really weak economy. What are the most sensitive points of the banking system? Naturally, the buildings and offices also indicate a certain mentality and a certain viewpoint, but the main problem is still the shortage of capital. All the Romanian banks have too little capital, perhaps with the exception of the newly opened banks that do not have a very large portfolio. In order to give them capital, we need funds. They should have surpluses. Already in the first year after the revolution the budget went into deficit. The banks with state capital (which are being readied as far as I know), will issue stock or bonds, perhaps other shares, too.

The capital market in Romania is only now taking shape. When it comes to raising billions of lei—because this is a matter of billions of lei, if not tens of billions—in a market that has no capital, the problem is, if there is none, there is none! After all, creating capital depends on restoring economic growth, and we find ourselves in this vicious circle. I will give you one example, even if it is not the most conclusive. The largest Romanian bank after the BRCE, which finances close to 60 percent of Romanian industry, is the Romanian Commercial Bank. It has only 12 billion lei in capital, for enterprises running losses probably in excess of 400, 500 and more millions; after this general compensation that has practically shifted the rot from the actual enterprises—what we call the production enterprises—to the area of the



financial enterprises, to the banking industry, the rotten portfolio, to use a banking term, is probably somewhere around 50 billion lei. Law No. 60 rescues this bank and the banks with state capital saying that if in the future the rotten portfolio is not recovered, since they are guaranteed by the state, it will be shifted somewhere into some kind of state debt.

I wanted to give you a few figures so that you could see the magnitude of the problem. Once again, the Romanian Commercial Bank is financing 60 percent of Romanian production. Should this bank close down, 60 percent of Romanian production would utterly collapse. If this bank wants to add to its capital and to reach a normal capital relation, it needs at least 20 billion lei in the immediate future. Where are we supposed to get this kind of money? So this is a genuine, vital problem, but also difficult to resolve. We hit our heads against the wall, are active, or resign, but this kind of thing is not solved overnight, because it cannot be. These problems stem from the core, from the difficulties of the Romanian economy. Another issue is that of bank profit. In this respect we have real, visible problems of mentality. Let us say that the banks made big profits. I was also asked by a Parliament member: How much, what profit did the banks make? The Romanian Commercial Bank, to stay with this example, probably 4 billion. "Extraordinary, 4 billion!" Last year the bank already had 12 billion lei, being already short of capital. Because of the 300 percent inflation, the 12 billion capital is by now probably 6 billion in real terms. We quote a figure of 12 billion and correlate it to inflation. We will make 5 billion lei. So, five plus six is 11. So practically the bank did not gain in capital; it cannot gain in capital even if it puts all its profits aside, and this process is continual. It is a continual process that is placing our banks in a position of, let us say, technical difficulties, not to say worse. In spite of that, people think that the banks are making very large profits, which is not the case. And it will be a long while before people will understand that that is not so. And there will probably be many more resignations.

The system of payments is another problem. Of course, everyone wants payments to be made quickly. But do not forget that this is a matter of large amounts, of hundreds of millions of lei being handled. Any mistake here costs money, real money, not the kind of enterprise arrears

and money surrogates; this is real money, for which—forgive me—people go to jail. So we do want to modernize. But until we modernize we are facing two big problems. You tell us how to solve them. 1) The banking system has its own legacy, if you will pardon the word, its technology is nil, entries are still made by hand. If you can give me another example in the world of a bank of the size of the CEC [Savings and Deposits Bank], which is a large bank, that still does manual entries, I would say that the problem is solvable.

So we must urgently get new technologies, various technologies, and computers, because otherwise the bank will have technical difficulties and will not be able to carry out operations. This is the first aspect. We have made efforts, we need money. Consequently, imports had to be made. We do manufacture computers in Romania. According to our data, they are not capable of coping with a banking system or with a system of payments on a par with our requirements. In this respect we cannot change in one year. Changing a system of payments is a major action of national importance. The second problem is this explosion of customers because of privatization. The problems are special. And every time a bank clerk makes a mistake, he has to pay for it. And he may have to pay serious amounts. After all, the pressures from the real world, the pressures coming from the enterprises for the banks to shoulder some of the delays, are very big, but aside from these penalties, the bank clerk must pay for mistakes due simply to time pressure, human error, and so forth.

There is also the problem of interest. That is very interesting. We are requested to protect the public's savings against inflation by means of interest. There was one proposal that I even applauded in parliament, namely to raise CEC interest rates to 80 percent. Great. On the other side, however, when it comes to enterprises taking out loans, people want them to be interest-free, because this is another of our historical traditions. We were the only country in the world that did not charge interest. We and the Islamic countries. No one, but no one, in the one and one-half years since this interesting idea was brought up and discussed, has ever wondered: Who is supposed to carry the difference, who pays in this country? In other words, we want to see miracles, but we do not know who is to pay for them!

**No Division of Assets While Yugoslavia Exists***92BA0731B Belgrade BORBA in Serbo-Croatian  
23 Mar 92 p 11*

[Article by Bojana Jager: "Whoever Pulled Out Will Come Up Short"]

[Text] So long as Yugoslavia exists there will be no division of assets—that is the position of the Federal Government, but on the other hand there must be a discussion of material relations concerning federal property with the republics that have withdrawn, for the present with Slovenia and Croatia. It is from these republics that demands are constantly arriving that the division of assets should be drawn up as soon as possible, and here the reference is obviously not merely to buildings and equipment that belong to federal institutions, but to everything that follows from a joint state. Alluding to the Vienna Convention of 1983 on the succession of states, property, and archives, Radivoj Rajakovic, leader of the group for property relations of the Federal Secretariat for Jurisprudence, says that those wishes are without foundation.

**Reimbursement of Losses—Sometime**

Only if Yugoslavia should disintegrate, those who created that state could draw up a division of assets from that broken marriage. But the intention of preserving Yugoslavia, together with its name and place in the international community, frustrates that scenario. That means that certain property matters must be settled with those who are leaving the joint state, and there is a willingness to do that. At the same time, this also means that under international law there is no occasion for a division of assets, which would give the same rights to those who are withdrawing from a state that is remaining. In Rajakovic's words, because the state of Yugoslavia has not violated either domestic or international law, the paramount issue is to determine how much the unilateral behavior of those republics has cost it. Regardless of the political outcome of the Yugoslav crisis, he is convinced of the legal soundness of his assertions and emphasizes that there is no example in the world of any state that has not preserved its "embryo" when certain parts withdrew.

On the contrary, the issue is raised of the usurped property of Yugoslavia (real estate and assets) which is located on the territory of those two republics and is completely inaccessible to federal authorities. Even in its constitutional law, Slovenia proclaimed that all property of Yugoslavia on its territory became the property of the state of Slovenia, and it immediately proved that in practice, for instance, by selling the housing of federal customs agents, by taking money from other people's property for its own budget. At the end of last December, Croatia adopted the Decree on Including the Assets of the Former SFRY in the Property of Croatia, and it took over the property of a state which "buried" itself on its own initiative in the very title of that decree. Such moves

have no support whatsoever in international law, Rajakovic says, and lengthy proceedings in property law will probably be conducted because of them. The FEC [Federal Executive Council] will send the documentation on Yugoslavia's property to the competent officials in Slovenia and Croatia and will offer dialogue, but if this does not bear fruit, it is most likely that the case will be referred to international institutions. Rajakovic believes in compensation of damage—sometime. For the moment, there are no contacts whatsoever from those two republics on these matters, nor any real knowledge about what is happening with the federal property which is on their territory and what part of it may have been destroyed.

**Surcin Is a Meadow**

The amounts involved are large. Federal authorities have 750 housing units in Slovenia and 1,600 in Croatia. If we adjust for depreciation and take half of the value of the square meter, which in Belgrade now ranges from 200,000 to 300,000 dinars, and we assume that on the average these are housing units with 70 square meters, it is easy to calculate the amounts that are involved. To this, we should add official buildings, the space and equipment of the Federal Customs Administration, the Federal Flight Control Administration, the Federal Radio and Communications Administration, the Federal Secretariat for Internal Affairs, and other federal agencies. Rajakovic says that the highest technological investments were made in the district flight control facilities in Zagreb and Ljubljana and that on the basis of that level of equipment Surcin is "a meadow compared to Brnik and Pleso." And then the villas "Bijela," "Brionka," and "Jadranka" on Brioni belong to the SFRY Presidency. When property matters are being cleared up, it will not be possible to take the status quo as the point of departure, because in the period when there was belief in the future of life together, many things built to meet the needs of federal institutions were transferred to republic authorities—for instance, almost all real estate was transferred to bodies for internal affairs in Slovenia and Croatia. Back in 1983, Brioni was turned over to Croatia for commercial use. For the present, Macedonia and B-H [Bosnia-Herzegovina] have done nothing similar with the property of Yugoslavia on their territory. In any case, in those two republics there are half as many federal housing units as in Slovenia and Croatia. The JNA [Yugoslav People's Army] keeps separate records on its property.

Just the other day, Slovenia called upon certain foreign states to halt the sale of Yugoslavia's property until a division of assets was worked out, asserting that this is being done detrimentally to the republics which have or wish to take the road of sovereign statehood. According to the 1990 Census, Yugoslavia has 163 pieces of real estate in the world to accommodate its diplomatic and consular missions (embassies, consulates, and legations). None of them has been sold so far, but a number have been closed because there was no need to use them. Rajakovic again says that if there should be a sale, it

should be borne in mind that this is the real estate of the existing and recognized state of Yugoslavia.

In any case, in front of the building of the FEC (!) one can see that some of the peacekeepers of the United Nations are moving in; they have been granted for temporary use the fourth and part of the third floor of this building, which also is federal property. We have learned that they have also been granted for temporary use 78 vehicles owned by the state of the SFRY. After these, it seems that certain other peacemakers in the form of international lawyers will probably have to help to settle disputes concerning the property of the federation, "but these problems have not yet even become acute."

### **Bosnia HDZ Leader Brkic Interviewed**

92BA0731C Belgrade BORBA in Serbo-Croatian  
23 Mar 92 p 7

[Article including interview with Dr. Milenko Brkic, acting president of the Croatian Democratic Community of Bosnia-Herzegovina, by Natka Buturovic; place and date not given: "A Map for the Unrest of Croats"]

[Text] The recent installation of Dr. Milenko Brkic as leader of the HDZ [Croatian Democratic Community] of Bosnia-Herzegovina [B-H], the "acting" is a formality under the bylaws until the next party conference, has made this professor in the School of Philosophy of Sarajevo University and minister for religion in the government of B-H the "target" of various intrigues and speculation. Uncertainty over the name—Milenko or Miljenko—was sufficient occasion for topical labels such as "a Serb who sold out to the Croats" or "a Croat with a Serbian name."

Dr. Brkic has a reputation of being a politician who is a recordholder in refusing offers for high party and government office. "It is closer to the truth to say that others have been more anxious to have those offices, and I offered them an opportunity to fulfill their wishes, because I had already fulfilled mine—the career of a university professor," Dr. Brkic says, admitting that there were moments when he consented to being chosen, but others had more ambition or desire for power.

### **We Do Not Consent to Ethnic Division**

The president of the HDZ in B-H, its third so far, says with regret that in the two years of this party's existence it has already had three leaders; in his judgment, the reasons for this "promenade" lie most probably in the fact "that the party elections have not been excessively democratic and have not satisfied overall democratic procedure." Be that as it may, it was Brkic who many promoted as the peacemaker of Croats in Bosnia and Herzegovina.

"I like the epithet, but the Croats do not need to be pacified. There are differing views on certain vital issues in the party, and that is why there are differences, but so far there has been no conflict."

[Buturovic] Did the HDZ of B-H deceive its voters when it appealed to them to vote in the referendum for an independent and indivisible B-H, and then in the "Konak" [Lodge] it fought successfully for a concept of internal arrangement which for all practical purposes divides B-H?

[Brkic] The document from the "Konak" has been tendentiously and erroneously interpreted. It is not a question of splintering and dividing B-H. B-H will be recognized by the EC and the other countries as a sovereign state. However, the parts making it up will not be states, but only components of the state based on economic, cultural, demographic, political, and other interests of certain nationalities.

[Buturovic] If the demarcations from the "Konak" map are realized, more than half of the Croatian nationality in B-H will remain outside its "ethnic area."

[Brkic] Please, by no means will we consent solely to ethnic division as a criterion for division on the basis of the present administrative borders of the opcinas and the majority population. We would not think of it. We will insist that B-H be arranged so that its parts have a solid economic basis and cultural institutions. In each of them, there must be a theater, a university, and economic resources and natural potential that will make it possible for that constituent unit to survive. We do not have the slightest intention of this being exclusively on the ethnic principle.

[Buturovic] Both laymen and experts recognize in the "Konak" document institutionalization of second-class citizens.

[Brkic] As to fundamental principles, citizens are guaranteed all the rights guaranteed by international conventions. In all the regional units, all citizens will have the same rights. This is to be regulated by laws at the level of B-H, not its constituent units. Europe will oversee the exercise of those rights.

### **I Am Not Afraid of an Islamic State**

[Buturovic] But you know what they say—"We know ourselves."

[Brkic] Well, that is another matter. We can form any B-H you like, let us suppose a unitary or confederal arrangement, and again that problem is going to arise. We can resolve it only through a lengthy process, respecting and honoring one another, developing our culture, raising the level of education. What are we thinking—to create Europe overnight? This is a process. We have to seek the best or least bad solution.

I think that we must all understand one another and find the solution that suits everyone. At present, people are manipulating with assertions to the effect that the "Konak" document is definitive. It is not. It has only been agreed to in one phase. The map has, of course, already caused unrest, especially among the Croatian

people. We will not accept it in the way it has been drawn. After all, this goes directly against us. The ethnic principle must not be applied solely based on the present opcinas and the 1991 Census. Let us go back to the 1961 Census, and we will be happy. The map will be altogether different. Let us not create new discord and misunderstanding because of those points. Let us be sincere, let us organize B-H so that we are all happy.

### **The HDZ Has No Connection Whatsoever to the HOS**

[Buturovic] It is your assessment that the essential interests of the Croatian and Muslim nationalities in B-H mainly coincide. What if, for example, over the long run the interest of the Muslims is for B-H to be their state, just as Croatia is for the Croats and Serbia for the Serbs?

[Brkic] I never heard from the official Muslim leaders that they are reasoning along those lines. The Muslims are aware that B-H is Serbian, Croatian, and Muslim. None of those three nationalities has the exclusive right to B-H. If anyone were to have that right, then it would be the Croats. After all, the Croats are the ethnic warp of B-H, all the others come later. B-H would have to be a joint state even if one of the nationalities were only 3 percent. In all structures of government through which sovereignty is exercised—legislative, executive, and judicial—parity must be applied.

[Buturovic] So, you are not afraid of an Islamic state?

[Brkic] I certainly do not want that. I am not afraid of an Islamic state at all. I think that the Muslims have no such intentions.

[Buturovic] If the principle of sovereignty of the nationality is applied in Croatia and Serbia, what then?

[Brkic] Croatia and Serbia, as far as I know, have already organized regions. In Croatia, there are seven banovinas, in Serbia, it seems to me, 13 okrugs.

[Buturovic] We now have a situation in which whoever has a gun has the power. In B-H, there are many members of the HOS [Croatian Armed Forces]. To what extent are they native, and to what extent do they come from Croatia?

[Brkic] The HDZ really has no ties to the HOS at all, neither here nor in Croatia. They are members of a particular party, I do not know how many of them there are. We hear reports of them being in certain places. How many, only you journalists know, because you are the ones who launch those bombastic figures. I am convinced that these are sporadic and very small groups of people doing these things. Simply because in this time people are arming and grouping on various bases. We do not approve that. The HDZ does not stand behind that.

[Box, p 7]

### **Kljuic or a Split**

Mr. Kljuic has in the name of the party taken the position of member of the Presidium of B-H, so that whether we like it or not, we must collaborate. As far as I am concerned, I am very well disposed to cooperate. Mr. Kljuic has done much for the party and the Croatian people, and I cannot say anything about his statements concerning a split and the reasons for his resignation.

Mr. Kljuic will be regularly summoned to the party's convention. He will have occasion to give the reasons for his resignation, because he said at Siroki Brijeg that his resignation was irrevocable and that he will never tell anyone why he submitted it. I would not say that the "Livno question" is the reason (insistence that ethnic cantonization be incorporated in the referendum question on the independence of B-H). The disagreements arose over the fact that there are those in the party who wanted sovereignty at the republic level, but most of the Croats think that sovereignty should remain with the nationality and be derived from it at the level of the republic as a state.

[Box, p 7]

### **Direct Line**

[Buturovic] Do you know Mr. Tudjman personally?

[Brkic] I do know Mr. Tudjman personally, and by my election to this office I automatically acquired every right to contact him at any time.

I assure you that we in B-H have enough intelligence and ability to shape the Croatian political program. Of course, we collaborate on all that with Zagreb. I do not know why that bothers anyone. They think that they are dictating to us from Zagreb. I say that they are not dictating things to me. I would like it if what we agree on did not bother anyone. Every time someone goes to Zagreb, they make a scandal of it. But what about the Serbs, say, in Belgrade, who every day are taking part in the bodies of Yugoslavia against the will of the B-H Assembly and visiting Milosevic? That has simply become a normal thing.

### **Croatian Minister of Reconstruction on War Damages**

92BA0731A Belgrade BORBA in Serbo-Croatian  
23 Mar 92 p 11

[Interview with Slavko Degoricija, minister for reconstruction of the Republic of Croatia, by Vesna Pavlekov; place and date not given: "The Line Has Not Yet Been Drawn"]

[Text] The total property damage left behind by the war in Croatia was estimated at \$18.7 billion even at the end of last year. The greatest destruction was suffered by the economy, which accounts for all of \$13 billion of the

total losses, then about \$4.5 billion for housing, and \$2.5 billion of recorded war damage to the infrastructure. Unfortunately, the bottom line has not yet been drawn beneath the total devastation in Croatia, because even after the truce was signed, people have continued to die, structures are being demolished, and villages are being burned. Thus, even the figure of 210,000 housing units damaged or destroyed, 203 elementary schools, 67 secondary schools, 17 postsecondary schools and faculties, eight hospitals, several dozen health centers—does not give an adequate picture of the tragic balance sheet of the war in Croatia. If we add to this the datum of 600,000 refugees registered (some people say there are as many as 900,000 of them), not to mention the killed and wounded, it is clear that the consequences left by the war in Croatia will not be healed for years. Nevertheless, how to repair that immense property and human horror left by the war is a topic we talked about with Slavko Degoricija, minister for reconstruction of the Republic of Croatia.

#### How To Build Back What Has Been Destroyed

"This ministerial portfolio in the Croatian government," the minister explained, "is based on the knowledge of the level of war damage in Croatia, and one of its principal functions is to act as a coordinating body linking all the other ministries so that jobs will not be duplicated and there will be no overlapping in the country's reconstruction."

Aside from that, it is the task of this youngest ministry to round out and link up rebuilding activities from the local community, up through the *opcina* and then the future parishes, to the republic. The first step we took was to find the most rapid solution for construction of demolished housing structures so that those driven out could return. We decided on what are called mobile structures that could be moved, and we have already gone far along in that program. We are also receiving unselfish aid from abroad. Thus, the parliament in Vienna decided to rebuild Nustar, the Austrian Government and parliament announced that they would rebuild one town with no more than 5,000 inhabitants. Hungary, Czechoslovakia, Luxembourg, Australia, New Zealand, and numerous other countries have announced that they want to become involved in the rebuilding of Croatian towns and villages that suffered in the war.

In addition to rebuilding housing structures, revitalization of the infrastructure and water supply are priorities. The electric power system and telephone system have fortunately been largely preserved so that the complete rebuilding of the economy can be undertaken very soon. In this war, the Croatian economy showed exceptional resilience, which surprised even the shapers of economic policy in this republic. That is, in January and February alone production in Croatia grew all of 6.3 percent. But these are still pale grounds for optimism when we realize that the Croatian economy, aside from rebuilding what has been destroyed, also faces the very painful process of privatization and restructuring on the rails of a market economy. And without the help of foreign capital that

process is condemned to great difficulties. That is why we asked the subject of our interview to what extent Croatia has become a mecca for the attraction of foreign capital?

"The very fact that a delegation of the World Bank is in Croatia at the moment," Degoricija said, "is a sufficient reference. In addition to them, businessmen from Hong Kong have shown an interest in the Croatian economy, attracted by Rijeka. Italian companies have offered to rebuild the Maslenica bridge and another two bridges destroyed by the war. Serious offers have arrived from the United States for continuation of petroleum explorations in the Adriatic and Dinarids. All in all, so far nearly 1,500 initiatives have been recorded."

#### Intensified Social Tensions

Nor is this any wonder, because it is well-known that before this war Croatia accounted for all of 2 percent of the world tourist trade, 10 percent of world ship production, 4 percent of the world's merchant marine. Not to mention the potential for development of agriculture and production of health food, and 4,000 km of seacoast. The construction of modern highways through Croatia is also a great opportunity that would draw numerous other branches of the economy into development and would open up the possibility for initiating public works projects. It is interesting to mention that even the traditionally cautious English have shown an interest these days, and for model concessions would consider construction of the Adriatic Highway, in which they would invest about \$1 billion. The subject of our interview emphasized that at the moment important changes are being made in Croatian legislation to make it possible for concessions to be granted to foreigners. The only barrier, Degoricija said, to the inflow of foreign capital are military activities that have not yet been halted and which put Croatia far up on the list with respect to more risks.

Intensified social tensions are another big problem which Croatia will confront in rebuilding the economy. Aside from all the consequences the war has left behind, Croatia is under the pressure of a great shortage of money. At the moment, all of one-fourth of the total work force of 1.2 million are not receiving wages and salaries, and the taxes on personal incomes have now climbed to 132 percent. That is why many foreign countries, hoping to relieve Croatia to some extent of the danger of social unrest, have proposed to take over manpower surpluses for a certain time. What does the minister for reconstruction think of that idea?

"On this, my opinion differs from the other ministers," Degoricija says. Croatia has sufficient resources which it should put at the service of production, and this will essentially alleviate the problem of unemployment. The firm "Kroacijadrvo" alone can open up 15,000 new jobs

with one program. As he put it, the government is already working very hard on a revision of the tax system and on monetary stability.

A design of the customs system is being prepared, as is a law on trade between enterprises.

The conditions for foreign investment today, Degoricija says, are not at all more unfavorable in Croatia than those in Austria, Italy, or Germany.

In conclusion, we also emphasize that aside from the material reconstruction of Croatia, the Ministry for

Reconstruction is also working hard on its spiritual rebuilding. An attempt is being made to put the final touches on labor legislation that would bring Croatia closer to the more highly developed European countries in this regard. The initial drafts of certain laws have already been given public promotion: For example, the tax on single persons, the incentive for the birth of the third and even fourth child, addition of three years to length of service for each child, the purpose of which is to repair the consequences of the low demographic growth in Croatia, which this law has also favored in large part.

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